UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2020

☐ 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
(State or Other Jurisdiction of Incorporation or Organization)

94-3047598
(IRS Employer Identification No.)

333 Lakeside Drive, Foster City, California 94404
(Address of principal executive offices) (Zip Code)

650-574-3000
(Registrant’s Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class Trading Symbol(s) Name of each exchange on which registered
Common Stock, par value, $0.001 per share GILD The Nasdaq Global Select Market

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 ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T ($232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.
Large accelerated filer x Accelerated filer ☐ Non-accelerated filer ☐
Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No x

Number of shares outstanding of the issuer’s common stock, par value $0.001 per share, as of July 31, 2020: 1,253,724,370

Number of shares outstanding of the issuer’s common stock, par value $0.001 per share, as of July 31, 2020: 1,253,724,370
We own or have rights to various trademarks, copyrights and trade names used in our business, including the following: GILEAD®, GILEAD SCIENCES®, AMBISOME®, ATRIPLA®, BIKTARVY®, CAYSTON®, COMPLERA®, DESCOVY®, DESCOVY FOR PREP®, EMTRIVA®, EPCLUSA®, EVIPLERA®, GENVOYA®, HARVONI®, HEPSERA®, JYSELECA®, LETAIRIS®, ODEFSEY®, RANEXA®, SOVALDI®, STRIBILD®, TECARTUS™, TRUVADA®, TRUVADA FOR PREP®, TYBOST®, VEKLURY® (remdesivir), VEMLIDY®, VIREAD®, VOSEVI®, YESCARTA® and ZYDELIG®. This report also includes other trademarks, service marks and trade names of other companies.
PART I. FINANCIAL INFORMATION

Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

GILEAD SCIENCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)
(in millions, except per share amounts)

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2020</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 6,746</td>
<td>$ 11,631</td>
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<tr>
<td>Short-term marketable securities</td>
<td>12,168</td>
<td>12,721</td>
</tr>
<tr>
<td>Accounts receivable, net of allowances of $698 and $758, respectively</td>
<td>3,194</td>
<td>3,382</td>
</tr>
<tr>
<td>Inventories</td>
<td>1,052</td>
<td>922</td>
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<tr>
<td>Prepaid and other current assets</td>
<td>1,483</td>
<td>1,440</td>
</tr>
<tr>
<td>Total current assets</td>
<td>24,643</td>
<td>30,296</td>
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<tr>
<td>Property, plant and equipment, net</td>
<td>4,653</td>
<td>4,502</td>
</tr>
<tr>
<td>Long-term marketable securities</td>
<td>2,276</td>
<td>1,488</td>
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<tr>
<td>Intangible assets, net</td>
<td>13,225</td>
<td>13,786</td>
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<tr>
<td>Goodwill</td>
<td>4,117</td>
<td>4,117</td>
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<tr>
<td>Other long-term assets</td>
<td>7,020</td>
<td>7,438</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 55,934</td>
<td>$ 61,627</td>
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<tr>
<td><strong>Liabilities and Stockholders’ Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$ 532</td>
<td>$ 713</td>
</tr>
<tr>
<td>Accrued government and other rebates</td>
<td>3,337</td>
<td>3,473</td>
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<tr>
<td>Other accrued liabilities</td>
<td>3,696</td>
<td>3,074</td>
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<tr>
<td>Current portion of long-term debt and other obligations, net</td>
<td>2,999</td>
<td>2,499</td>
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<tr>
<td>Total current liabilities</td>
<td>10,564</td>
<td>9,759</td>
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<tr>
<td>Long-term debt, net</td>
<td>21,103</td>
<td>22,094</td>
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<tr>
<td>Long-term income taxes payable</td>
<td>5,107</td>
<td>6,115</td>
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<tr>
<td>Other long-term obligations</td>
<td>1,018</td>
<td>1,009</td>
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<tr>
<td>Commitments and contingencies (Note 10)</td>
<td></td>
<td></td>
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<tr>
<td>Stockholders’ equity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred stock, par value $0.001 per share; 5 shares authorized; none outstanding</td>
<td>—</td>
<td>—</td>
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<tr>
<td>Common stock, par value $0.001 per share; 5,600 shares authorized; 1,254 and 1,266 shares issued and outstanding, respectively</td>
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<td>1</td>
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<tr>
<td>Additional paid-in capital</td>
<td>3,511</td>
<td>3,051</td>
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<tr>
<td>Accumulated other comprehensive income</td>
<td>70</td>
<td>85</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>14,445</td>
<td>19,388</td>
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<tr>
<td>Total Gilead stockholders’ equity</td>
<td>18,027</td>
<td>22,525</td>
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<tr>
<td>Noncontrolling interest</td>
<td>115</td>
<td>125</td>
</tr>
<tr>
<td>Total stockholders’ equity</td>
<td>18,142</td>
<td>22,650</td>
</tr>
<tr>
<td>Total liabilities and stockholders’ equity</td>
<td>$ 55,934</td>
<td>$ 61,627</td>
</tr>
</tbody>
</table>

See accompanying notes.
GILEAD SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in millions, except per share amounts)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th></th>
<th>Six Months Ended</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2020</td>
<td>2020</td>
<td>June 30, 2019</td>
<td>2019</td>
</tr>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Product sales</td>
<td>$ 5,067</td>
<td>$ 5,607</td>
<td>$ 10,534</td>
<td>$ 10,807</td>
</tr>
<tr>
<td>Royalty, contract and</td>
<td>76</td>
<td>78</td>
<td>157</td>
<td>159</td>
</tr>
<tr>
<td>other revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenues</td>
<td>$ 5,143</td>
<td>$ 5,685</td>
<td>$10,691</td>
<td>$10,966</td>
</tr>
<tr>
<td>Costs and expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>1,064</td>
<td>1,000</td>
<td>2,033</td>
<td>1,957</td>
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<tr>
<td>Research and development</td>
<td>1,299</td>
<td>995</td>
<td>2,303</td>
<td>1,926</td>
</tr>
<tr>
<td>expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Acquired in-process</td>
<td>4,524</td>
<td>165</td>
<td>4,621</td>
<td>291</td>
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<tr>
<td>research and development</td>
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<td></td>
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<tr>
<td>expenses</td>
<td>1,239</td>
<td>1,095</td>
<td>2,315</td>
<td>2,125</td>
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<tr>
<td>Selling, general and</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>administrative expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total costs and expenses</td>
<td>$8,126</td>
<td>3,255</td>
<td>$11,272</td>
<td>6,299</td>
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<tr>
<td>Income (loss) from</td>
<td>(2,983)</td>
<td>2,430</td>
<td>(581)</td>
<td>4,667</td>
</tr>
<tr>
<td>operations</td>
<td></td>
<td></td>
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<tr>
<td>Interest expense</td>
<td>(240)</td>
<td>(248)</td>
<td>(481)</td>
<td>(502)</td>
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<tr>
<td>Other income (expense),</td>
<td>250</td>
<td>228</td>
<td>92</td>
<td>595</td>
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<tr>
<td>net</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Income (loss) before</td>
<td>(2,973)</td>
<td>2,410</td>
<td>(970)</td>
<td>4,760</td>
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<tr>
<td>provision for income</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>taxes</td>
<td>373</td>
<td>535</td>
<td>838</td>
<td>917</td>
</tr>
<tr>
<td>Provision for income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>taxes</td>
<td>(3,346)</td>
<td>1,875</td>
<td>(1,808)</td>
<td>3,843</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>(7)</td>
<td>(5)</td>
<td>(20)</td>
<td>(12)</td>
</tr>
<tr>
<td>attributable to non</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>controlling interest</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>$ (3,339)</td>
<td>$ 1,880</td>
<td>$ (1,788)</td>
<td>$3,855</td>
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<tr>
<td>attributable to Gilead</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income (loss) per</td>
<td>$ (2.66)</td>
<td>$ 1.48</td>
<td>$ (1.42)</td>
<td>$ 3.03</td>
</tr>
<tr>
<td>share attributable to</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gilead common stockholders</td>
<td>basic</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shares used in per share</td>
<td>1,255</td>
<td>1,270</td>
<td>1,258</td>
<td>1,273</td>
</tr>
<tr>
<td>calculation - basic</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income (loss) per</td>
<td>$ (2.66)</td>
<td>$ 1.47</td>
<td>$ (1.42)</td>
<td>$ 3.01</td>
</tr>
<tr>
<td>share attributable to</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gilead common stockholders</td>
<td>diluted</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shares used in per share</td>
<td>1,255</td>
<td>1,277</td>
<td>1,258</td>
<td>1,280</td>
</tr>
<tr>
<td>calculation - diluted</td>
<td></td>
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</table>

See accompanying notes.
GILEAD SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited)
(in millions)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th></th>
<th>Six Months Ended</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2020</td>
<td>2020</td>
<td>June 30, 2019</td>
<td>2019</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>$ (3,346)</td>
<td>$ 1,875</td>
<td>$ (1,808)</td>
<td>$ 3,843</td>
</tr>
<tr>
<td>Other comprehensive income (loss):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net foreign currency translation gain (loss), net of tax</td>
<td>4</td>
<td>(13)</td>
<td>(35)</td>
<td>8</td>
</tr>
<tr>
<td>Available-for-sale debt securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net unrealized gain, net of tax</td>
<td>74</td>
<td>19</td>
<td>51</td>
<td>49</td>
</tr>
<tr>
<td>Reclassifications to net income (loss), net of tax</td>
<td>(2)</td>
<td>—</td>
<td>(13)</td>
<td>—</td>
</tr>
<tr>
<td>Net change</td>
<td>72</td>
<td>19</td>
<td>38</td>
<td>49</td>
</tr>
<tr>
<td>Cash flow hedges:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net unrealized gain (loss), net of tax</td>
<td>(36)</td>
<td>1</td>
<td>21</td>
<td>29</td>
</tr>
<tr>
<td>Reclassifications to net income (loss), net of tax</td>
<td>(16)</td>
<td>(35)</td>
<td>(39)</td>
<td>(64)</td>
</tr>
<tr>
<td>Net change</td>
<td>(52)</td>
<td>(34)</td>
<td>(18)</td>
<td>(35)</td>
</tr>
<tr>
<td>Other comprehensive income (loss)</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>24</td>
<td>(28)</td>
<td>(15)</td>
<td>22</td>
</tr>
<tr>
<td>Comprehensive income (loss)</td>
<td>(3,322)</td>
<td>1,847</td>
<td>(1,823)</td>
<td>3,865</td>
</tr>
<tr>
<td>Less: Comprehensive loss attributable to noncontrolling interest</td>
<td>(7)</td>
<td>(5)</td>
<td>(20)</td>
<td>(12)</td>
</tr>
<tr>
<td>Comprehensive income (loss) attributable to Gilead</td>
<td>$ (3,315)</td>
<td>$ 1,852</td>
<td>$ (1,803)</td>
<td>$ 3,877</td>
</tr>
</tbody>
</table>

See accompanying notes.
### Gilead Sciences, Inc.

**Condensed Consolidated Statements of Stockholders' Equity**

(unaudited)

(in millions, except per share amounts)

#### Three Months Ended June 30, 2020

<table>
<thead>
<tr>
<th>Gilead Stockholders' Equity</th>
<th>Common Stock</th>
<th>Additional Paid-In Capital</th>
<th>Accumulated Other Comprehensive Income</th>
<th>Retained Earnings</th>
<th>Noncontrolling Interest</th>
<th>Total Stockholders' Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares Amount</td>
<td>Shares Amount</td>
<td>Shares Amount</td>
<td>Shares Amount</td>
<td>Shares Amount</td>
<td>Shares Amount</td>
<td>Shares Amount</td>
</tr>
<tr>
<td>Balance at March 31, 2020</td>
<td>1,254 $ 1 $ 3,311 $ 46 $ 18,709 $ 112 $ 22,179</td>
<td>1,254 $ 1 $ 3,311 $ 46 $ 18,709 $ 112 $ 22,179</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in noncontrolling interest</td>
<td>— — — — — 10</td>
<td>— — — — — 10</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income, net of tax</td>
<td>— — — 24 — 24</td>
<td>— — — 24 — 24</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuances under equity incentive plans</td>
<td>1 — 35 — — 35</td>
<td>1 — 35 — — 35</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>— — 168 — — 168</td>
<td>— — 168 — — 168</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Repurchases of common stock</td>
<td>(1) — (3) — (59) — (62)</td>
<td>(1) — (3) — (59) — (62)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends declared ($0.68 per share)</td>
<td>— — — — — (866)</td>
<td>— — — — — (866)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at June 30, 2020</td>
<td>1,254 $ 1 $ 3,511 $ 70 $ 14,445 $ 115 $ 18,142</td>
<td>1,254 $ 1 $ 3,511 $ 70 $ 14,445 $ 115 $ 18,142</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Six Months Ended June 30, 2020

<table>
<thead>
<tr>
<th>Gilead Stockholders' Equity</th>
<th>Common Stock</th>
<th>Additional Paid-In Capital</th>
<th>Accumulated Other Comprehensive Income</th>
<th>Retained Earnings</th>
<th>Noncontrolling Interest</th>
<th>Total Stockholders' Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares Amount</td>
<td>Shares Amount</td>
<td>Shares Amount</td>
<td>Shares Amount</td>
<td>Shares Amount</td>
<td>Shares Amount</td>
<td>Shares Amount</td>
</tr>
<tr>
<td>Balance at December 31, 2019</td>
<td>1,266 $ 1 $ 3,051 $ 85 $ 19,388 $ 125 $ 22,650</td>
<td>1,266 $ 1 $ 3,051 $ 85 $ 19,388 $ 125 $ 22,650</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Cumulative effect from the adoption of new accounting standard (Note 1)</td>
<td>— — — — (7) — (7)</td>
<td>— — — — (7) — (7)</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in noncontrolling interest</td>
<td>— — — — 10</td>
<td>— — — — 10</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>— — — — (1,788) (20) (1,808)</td>
<td>— — — — (1,788) (20) (1,808)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive loss, net of tax</td>
<td>— — — (15) — — (15)</td>
<td>— — — (15) — — (15)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuances under employee stock purchase plan</td>
<td>1 — 66 — — 66</td>
<td>1 — 66 — — 66</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuances under equity incentive plans</td>
<td>8 — 146 — — 146</td>
<td>8 — 146 — — 146</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>— — 309 — — 309</td>
<td>— — 309 — — 309</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repurchases of common stock</td>
<td>(21) — (61) — (1,415) — (1,476)</td>
<td>(21) — (61) — (1,415) — (1,476)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends declared ($1.36 per share)</td>
<td>— — — — — (1,733)</td>
<td>— — — — — (1,733)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at June 30, 2020</td>
<td>1,254 $ 1 $ 3,511 $ 70 $ 14,445 $ 115 $ 18,142</td>
<td>1,254 $ 1 $ 3,511 $ 70 $ 14,445 $ 115 $ 18,142</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Gilead Stockholders’ Equity

### Three Months Ended June 30, 2019

<table>
<thead>
<tr>
<th>Shares</th>
<th>Amount</th>
<th>Additional Paid-In Capital</th>
<th>Accumulated Other Comprehensive Income</th>
<th>Retained Earnings</th>
<th>Noncontrolling Interest</th>
<th>Total Stockholders’ Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at March 31, 2019</td>
<td>1,274</td>
<td>$ 1</td>
<td>$ 2,494</td>
<td>$ 130</td>
<td>$ 19,326</td>
<td>$ 140</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,880</td>
<td>(5)</td>
</tr>
<tr>
<td>Other comprehensive loss, net of tax</td>
<td>—</td>
<td>—</td>
<td>(28)</td>
<td>—</td>
<td>—</td>
<td>(28)</td>
</tr>
<tr>
<td>Issuances under equity incentive plans</td>
<td>2</td>
<td>—</td>
<td>41</td>
<td>—</td>
<td>—</td>
<td>41</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>—</td>
<td>—</td>
<td>175</td>
<td>—</td>
<td>—</td>
<td>175</td>
</tr>
<tr>
<td>Repurchases of common stock</td>
<td>(9)</td>
<td>—</td>
<td>(26)</td>
<td>—</td>
<td>(567)</td>
<td>—</td>
</tr>
<tr>
<td>Dividends declared ($0.63 per share)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(810)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Balance at June 30, 2019</strong></td>
<td>1,267</td>
<td>$ 1</td>
<td>$ 2,684</td>
<td>$ 102</td>
<td>$ 19,829</td>
<td>$ 135</td>
</tr>
</tbody>
</table>

### Six Months Ended June 30, 2019

<table>
<thead>
<tr>
<th>Shares</th>
<th>Amount</th>
<th>Additional Paid-In Capital</th>
<th>Accumulated Other Comprehensive Income</th>
<th>Retained Earnings</th>
<th>Noncontrolling Interest</th>
<th>Total Stockholders’ Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 31, 2018</td>
<td>1,282</td>
<td>$ 1</td>
<td>$ 2,282</td>
<td>$ 80</td>
<td>$ 19,024</td>
<td>$ 147</td>
</tr>
<tr>
<td>Cumulative effect from the adoption of accounting standard</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>8</td>
<td>—</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>3,855</td>
<td>(12)</td>
</tr>
<tr>
<td>Other comprehensive income, net of tax</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>22</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuances under employee stock purchase plan</td>
<td>1</td>
<td>—</td>
<td>63</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuances under equity incentive plans</td>
<td>6</td>
<td>—</td>
<td>82</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>—</td>
<td>—</td>
<td>319</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Repurchases of common stock</td>
<td>(22)</td>
<td>—</td>
<td>(62)</td>
<td>—</td>
<td>(1,434)</td>
<td>—</td>
</tr>
<tr>
<td>Dividends declared ($1.26 per share)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(1,624)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Balance at June 30, 2019</strong></td>
<td>1,267</td>
<td>$ 1</td>
<td>$ 2,684</td>
<td>$ 102</td>
<td>$ 19,829</td>
<td>$ 135</td>
</tr>
</tbody>
</table>

See accompanying notes.
## GILEAD SCIENCES, INC.
### CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

**Unaudited**

**June 30, 2020**

<table>
<thead>
<tr>
<th>Operating Activities:</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income (loss)</td>
<td>$(1,808)</td>
<td>$3,843</td>
</tr>
<tr>
<td>Adjustments to reconcile net income (loss) to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>136</td>
<td>120</td>
</tr>
<tr>
<td>Amortization expense</td>
<td>562</td>
<td>587</td>
</tr>
<tr>
<td>Stock-based compensation expense</td>
<td>309</td>
<td>317</td>
</tr>
<tr>
<td>Acquired in-process research and development expenses</td>
<td>4,621</td>
<td>291</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>109</td>
<td>28</td>
</tr>
<tr>
<td>Net unrealized (gain) loss from equity securities</td>
<td>82</td>
<td>(254)</td>
</tr>
<tr>
<td>Other</td>
<td>130</td>
<td>81</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>4,002</td>
<td>3,919</td>
</tr>
</tbody>
</table>

### Investing Activities:

| Purchases of marketable debt securities | $(16,753) | $(17,022) |
| Proceeds from sales of marketable debt securities | 10,426 | 1,564 |
| Proceeds from maturities of marketable debt securities | 6,227 | 10,029 |
| Acquisitions, including in-process research and development, net of cash acquired | $(4,804) | $(239) |
| Purchases of equity securities | $(86) | $(104) |
| Capital expenditures | $(314) | $(422) |
| Other | $(63) | $(213) |
| Net cash used in investing activities | $(5,367) | $(6,407) |

### Financing Activities:

| Proceeds from issuances of common stock | 212 | 141 |
| Repurchases of common stock | $(1,382) | $(1,422) |
| Repayments of debt and other obligations | $(500) | $(1,250) |
| Payments of dividends | $(1,730) | $(1,617) |
| Other | $(85) | $(75) |
| Net cash used in financing activities | $(3,485) | $(4,223) |

**Effect of exchange rate changes on cash and cash equivalents**

| (35) | 11 |

**Net change in cash and cash equivalents**

| $(4,885) | $(6,700) |

**Cash and cash equivalents at beginning of period**

| 11,631 | 17,940 |

**Cash and cash equivalents at end of period**

| $6,746 | $11,240 |

See accompanying notes.

7
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. The financial statements include all adjustments consisting of normal recurring adjustments that the management of Gilead Sciences, Inc. (Gilead, we, our or us) believes are necessary for a fair presentation of the periods presented. These interim financial results are not necessarily indicative of results expected for the full fiscal year or for any subsequent interim period.

The accompanying Condensed Consolidated Financial Statements include the accounts of Gilead, our wholly-owned subsidiaries and certain variable interest entities for which we are the primary beneficiary. All intercompany transactions have been eliminated. For consolidated entities where we own or are exposed to less than 100% of the economics, we record net income (loss) attributable to noncontrolling interest in our Condensed Consolidated Statements of Operations equal to the percentage of the economic or ownership interest retained in such entities by the respective noncontrolling parties.

We assess whether we are the primary beneficiary of a variable interest entity (“VIE”) at the inception of the arrangement and at each reporting date. This assessment is based on our power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and our obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The accompanying Condensed Consolidated Financial Statements and related Notes to Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and the related notes thereto for the year ended December 31, 2019, included in our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission.

Segment Information

We have one operating segment, which focuses on the discovery, development and commercialization of innovative medicines in areas of unmet medical need. Our Chief Executive Officer (“CEO”), as the chief operating decision-maker, manages and allocates resources to the operations of our company on an entity-wide basis. Managing and allocating resources on an entity-wide basis enables our CEO to assess the overall level of resources available and how to best deploy these resources across functions and research and development (“R&D”) projects based on unmet medical need and, as necessary, reallocate resources among our internal R&D portfolio and external opportunities to best support the long-term growth of our business. See Note 2. Revenues for additional information.

Significant Accounting Policies, Estimates and Judgments

The preparation of these Condensed Consolidated Financial Statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures. On an ongoing basis, we evaluate our significant accounting policies and estimates. We base our estimates on historical experience and on various market-specific and other relevant assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Estimates are assessed each period and updated to reflect current information, such as the economic considerations related to the impact that the recent coronavirus disease ("COVID-19") could have on our significant accounting estimates. Actual results could differ materially from these estimates under different assumptions or conditions.

Reclassification

Certain amounts for the three and six months ended June 30, 2019 were reclassified to conform to the current period presentation. Beginning in the second quarter of 2020, acquired in-process research and development (“IPR&D”) expenses are reported separately from Research and development expenses on our Condensed Consolidated Statements of Operations. Acquired IPR&D expenses reflect IPR&D impairments as well as the initial costs of externally developed IPR&D projects, acquired directly in a transaction other than a business combination, that do not have an alternative future use, including upfront payments related to various collaborations and the initial costs of rights to IPR&D projects. Our Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2019, has been conformed to separately present acquired IPR&D expenses. In addition, upfront and milestone payments of $254 million related to collaborations and other arrangements for the six months ended June 30, 2019, which were historically classified as cash flows from operating activities, are presented as cash flows from investing activities on our Condensed Consolidated Statements of Cash Flows.
Concentrations of Risk

We are subject to credit risk from our portfolio of cash equivalents and marketable securities. Under our investment policy, we limit amounts invested in such securities by credit rating, maturity, industry group, investment type and issuer, except for securities issued by the U.S. government. We are not exposed to any significant concentrations of credit risk from our investment portfolio. The goals of our investment policy, in order of priority, are as follows: safety and preservation of principal and diversification of risk; liquidity of investments sufficient to meet cash flow requirements; and a competitive after-tax rate of return.

We are also subject to credit risk from our accounts receivable related to our product sales. Trade accounts receivable are recorded net of allowances for wholesaler chargebacks related to government and other programs, cash discounts for prompt payment and credit losses. Estimates of our allowance for credit losses consider a number of factors including existing contractual payment terms, individual customer circumstances, historical payment patterns of our customers, a review of the local economic environment and its potential impact on expected future customer payment patterns and government funding and reimbursement practices. The majority of our trade accounts receivable arises from product sales in the United States, Europe and Japan. Our allowance for credit losses was $55 million and $47 million as of June 30, 2020 and January 1, 2020, respectively. There were no material write-offs charged against the allowance for the three and six months ended June 30, 2020.

Recently Adopted Accounting Standards

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2016-13 “Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”) and has since modified the standard with several ASUs (collectively, “Topic 326”). Topic 326 requires measurement and recognition of expected credit losses for financial assets. On January 1, 2020, we adopted this standard using a modified retrospective approach. The adoption did not have a material impact on our Condensed Consolidated Financial Statements.

In November 2018, the FASB issued Accounting Standards Update No. 2018-18 “Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606” (“ASU 2018-18”). ASU 2018-18 clarifies that certain transactions between participants in a collaborative arrangement should be accounted for under Topic 606, “Revenue from Contracts with Customers,” when the counterparty is a customer. In addition, the update precludes an entity from presenting consideration from a transaction in a collaborative arrangement as customer revenue if the counterparty is not a customer for that transaction. On January 1, 2020, we adopted this standard and applied it retrospectively to January 1, 2018 when we initially adopted Topic 606. The adoption did not have an impact on our Condensed Consolidated Financial Statements.
2. REVENUES

Disaggregation of Revenues

The following table disaggregates our product sales by product and geographic region and disaggregates our royalty, contract and other revenues by geographic region (in millions):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>U.S.</td>
<td>Europe</td>
</tr>
<tr>
<td>Atripla</td>
<td>$95</td>
<td>$5</td>
</tr>
<tr>
<td>Biktarvy</td>
<td>1,350</td>
<td>153</td>
</tr>
<tr>
<td>Complera/Eviplera</td>
<td>27</td>
<td>42</td>
</tr>
<tr>
<td>Descovy</td>
<td>337</td>
<td>46</td>
</tr>
<tr>
<td>Genvoya</td>
<td>646</td>
<td>109</td>
</tr>
<tr>
<td>Odefsey</td>
<td>273</td>
<td>98</td>
</tr>
<tr>
<td>Stribild</td>
<td>39</td>
<td>12</td>
</tr>
<tr>
<td>Truvada</td>
<td>370</td>
<td>6</td>
</tr>
<tr>
<td>Other HIV(1)</td>
<td>11</td>
<td>1</td>
</tr>
<tr>
<td>Revenue share – Symtuza(2)</td>
<td>90</td>
<td>40</td>
</tr>
<tr>
<td>AmBisome</td>
<td>10</td>
<td>49</td>
</tr>
<tr>
<td>Ledipasvir/Sofosbuvir(3)</td>
<td>24</td>
<td>4</td>
</tr>
<tr>
<td>Letairis</td>
<td>80</td>
<td>—</td>
</tr>
<tr>
<td>Ranexa</td>
<td>1</td>
<td>—</td>
</tr>
<tr>
<td>Sofosbuvir/Velpatasvir(4)</td>
<td>165</td>
<td>57</td>
</tr>
<tr>
<td>Vemlidy</td>
<td>76</td>
<td>7</td>
</tr>
<tr>
<td>Viread</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>Vosevi</td>
<td>27</td>
<td>6</td>
</tr>
<tr>
<td>Yescarta</td>
<td>95</td>
<td>56</td>
</tr>
<tr>
<td>Zydelig</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Other(5)</td>
<td>43</td>
<td>16</td>
</tr>
<tr>
<td>Total product sales</td>
<td>3,770</td>
<td>724</td>
</tr>
</tbody>
</table>

Royalty, contract and other revenues

<table>
<thead>
<tr>
<th>Royalty, contract and other revenues</th>
<th>Three Months Ended June 30, 2020</th>
<th>Three Months Ended June 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>U.S.</td>
<td>Europe</td>
</tr>
<tr>
<td>Total revenues</td>
<td>$3,784</td>
<td>$786</td>
</tr>
<tr>
<td>Product sales:</td>
<td>U.S.</td>
<td>Europe</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>------</td>
<td>--------</td>
</tr>
<tr>
<td><strong>Product sales:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Atripla</strong></td>
<td>$176</td>
<td>$12</td>
</tr>
<tr>
<td><strong>Biktarvy</strong></td>
<td>2,762</td>
<td>334</td>
</tr>
<tr>
<td><strong>Complera/Eviplera</strong></td>
<td>51</td>
<td>89</td>
</tr>
<tr>
<td><strong>Descovy</strong></td>
<td>700</td>
<td>107</td>
</tr>
<tr>
<td><strong>Genvoya</strong></td>
<td>1,258</td>
<td>260</td>
</tr>
<tr>
<td><strong>Odefsey</strong></td>
<td>542</td>
<td>225</td>
</tr>
<tr>
<td><strong>Stribild</strong></td>
<td>73</td>
<td>29</td>
</tr>
<tr>
<td><strong>Truvada</strong></td>
<td>753</td>
<td>14</td>
</tr>
<tr>
<td><strong>Other HIV(1)</strong></td>
<td>14</td>
<td>3</td>
</tr>
<tr>
<td><strong>Revenue share – Symtuza(2)</strong></td>
<td>162</td>
<td>78</td>
</tr>
<tr>
<td><strong>AmBisome</strong></td>
<td>28</td>
<td>108</td>
</tr>
<tr>
<td><strong>Ledipasvir/Sofosbuvir(3)</strong></td>
<td>77</td>
<td>15</td>
</tr>
<tr>
<td><strong>Letairis</strong></td>
<td>163</td>
<td>—</td>
</tr>
<tr>
<td><strong>Ranexa</strong></td>
<td>9</td>
<td>—</td>
</tr>
<tr>
<td><strong>Sofosbuvir/Velpatasvir(4)</strong></td>
<td>476</td>
<td>179</td>
</tr>
<tr>
<td><strong>Viread</strong></td>
<td>149</td>
<td>14</td>
</tr>
<tr>
<td><strong>Vosevi</strong></td>
<td>7</td>
<td>19</td>
</tr>
<tr>
<td><strong>Yescarta</strong></td>
<td>198</td>
<td>93</td>
</tr>
<tr>
<td><strong>Zydelig</strong></td>
<td>16</td>
<td>21</td>
</tr>
<tr>
<td><strong>Other(5)</strong></td>
<td>85</td>
<td>34</td>
</tr>
<tr>
<td><strong>Total product sales</strong></td>
<td>7,759</td>
<td>1,651</td>
</tr>
<tr>
<td><strong>Royalty, contract and other revenues</strong></td>
<td>31</td>
<td>110</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$7,790</td>
<td>$1,761</td>
</tr>
</tbody>
</table>

(1) Includes Emtriva and Tybost.
(2) Represents our revenue from cobicistat (C), emtricitabine (FTC) and tenofovir alafenamide (TAF) in Symtuza (darunavir/C/FTC/TAF), a fixed dose combination product commercialized by Janssen Sciences Ireland UC.
(3) Amounts consist of sales of Harvoni and the authorized generic version of Harvoni sold by our separate subsidiary, Asegua Therapeutics LLC.
(4) Amounts consist of sales of Epclusa and the authorized generic version of Epclusa sold by our separate subsidiary, Asegua Therapeutics LLC.
(5) Includes Cayston, Hepsera and Sovaldi.

**Revenues from Major Customers**

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

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended June 30, 2020</th>
<th>Six Months Ended June 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td>AmerisourceBergen Corp.</td>
<td>21 %</td>
<td>20 %</td>
</tr>
<tr>
<td>Cardinal Health, Inc.</td>
<td>23 %</td>
<td>21 %</td>
</tr>
<tr>
<td>McKesson Corp.</td>
<td>23 %</td>
<td>20 %</td>
</tr>
</tbody>
</table>
Revenues Recognized from Performance Obligations Satisfied in Prior Periods

Revenues recognized from performance obligations satisfied in prior years related to royalties for licenses of our intellectual property were $224 million and $412 million for the three and six months ended June 30, 2020, respectively, and $171 million and $326 million for the three and six months ended June 30, 2019, respectively. Changes in estimates for variable consideration related to sales made in prior years resulted in a $43 million and $81 million increase in revenues for the three and six months ended June 30, 2020, respectively, and a $193 million and $300 million increase in revenues for the three and six months ended June 30, 2019, respectively.

Contract Balances

Our contract assets, which consist of unbilled amounts primarily from arrangements where the licensing of intellectual property is the only or predominant performance obligation, totaled $153 million and $144 million as of June 30, 2020 and December 31, 2019, respectively. Contract liabilities were not material as of June 30, 2020 and December 31, 2019.

3. FAIR VALUE MEASUREMENTS

We determine the fair value of financial and non-financial assets and liabilities using the fair value hierarchy, which establishes three levels of inputs that may be used to measure fair value, as follows:

- Level 1 inputs include quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs include observable inputs other than Level 1 inputs, such as quoted prices for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability. For our marketable securities, we review trading activity and pricing as of the measurement date. When sufficient quoted pricing for identical securities is not available, we use market pricing and other observable market inputs for similar securities obtained from various third-party data providers. These inputs either represent quoted prices for similar assets in active markets or have been derived from observable market data; and
- Level 3 inputs include unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the underlying asset or liability. Our Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques and significant management judgment or estimation.

Our financial instruments consist primarily of cash and cash equivalents, marketable debt securities, accounts receivable, foreign currency exchange contracts, equity securities, accounts payable and short-term and long-term debt. Cash and cash equivalents, marketable debt securities, certain equity securities and foreign currency exchange contracts are reported at their respective fair values in our Condensed Consolidated Balance Sheets. Equity securities without readily determinable fair values are recorded using the measurement alternative of cost less impairment, if any, adjusted for observable price changes in orderly transactions for identical or similar investments of the same issuer. Short-term and long-term debt are reported at their amortized costs in our Condensed Consolidated Balance Sheets. The remaining financial instruments are reported in our Condensed Consolidated Balance Sheets at amounts that approximate current fair values.
The following table summarizes the types of assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy (in millions):

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2020</th>
<th></th>
<th></th>
<th>December 31, 2019</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
<td>Level 2</td>
<td>Level 3</td>
<td>Total</td>
<td>Level 1</td>
<td>Level 2</td>
</tr>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-for-sale</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>debt securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. treasury securities</td>
<td>$2,498</td>
<td>—</td>
<td>—</td>
<td>$2,498</td>
<td>$2,433</td>
<td>—</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>—</td>
<td>2,783</td>
<td>—</td>
<td>2,783</td>
<td>—</td>
<td>3,517</td>
</tr>
<tr>
<td>U.S. government agencies securities</td>
<td>—</td>
<td>101</td>
<td>—</td>
<td>101</td>
<td>—</td>
<td>1,081</td>
</tr>
<tr>
<td>Non-U.S. government securities</td>
<td>—</td>
<td>145</td>
<td>—</td>
<td>145</td>
<td>—</td>
<td>174</td>
</tr>
<tr>
<td>Corporate debt securities</td>
<td>—</td>
<td>8,784</td>
<td>—</td>
<td>8,784</td>
<td>—</td>
<td>9,204</td>
</tr>
<tr>
<td>Residential mortgage and asset-backed securities</td>
<td>—</td>
<td>624</td>
<td>—</td>
<td>624</td>
<td>—</td>
<td>91</td>
</tr>
<tr>
<td>Equity securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity investment in Galapagos</td>
<td>3,283</td>
<td>—</td>
<td>—</td>
<td>3,283</td>
<td>3,477</td>
<td>—</td>
</tr>
<tr>
<td>Money market funds</td>
<td>4,419</td>
<td>—</td>
<td>—</td>
<td>4,419</td>
<td>7,069</td>
<td>—</td>
</tr>
<tr>
<td>Other publicly traded equity securities</td>
<td>507</td>
<td>—</td>
<td>—</td>
<td>507</td>
<td>322</td>
<td>—</td>
</tr>
<tr>
<td>Deferred compensation plan</td>
<td>183</td>
<td>—</td>
<td>—</td>
<td>183</td>
<td>171</td>
<td>—</td>
</tr>
<tr>
<td>Foreign currency derivative contracts</td>
<td>—</td>
<td>21</td>
<td>—</td>
<td>21</td>
<td>—</td>
<td>37</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$10,890</td>
<td>$12,458</td>
<td>—</td>
<td>$23,348</td>
<td>$13,472</td>
<td>$14,104</td>
</tr>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred compensation plan</td>
<td>$183</td>
<td>$18</td>
<td>—</td>
<td>$201</td>
<td>$171</td>
<td>$8</td>
</tr>
<tr>
<td>Foreign currency derivative contracts</td>
<td>—</td>
<td>18</td>
<td>—</td>
<td>18</td>
<td>—</td>
<td>8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$183</td>
<td>$18</td>
<td>—</td>
<td>$201</td>
<td>$171</td>
<td>$8</td>
</tr>
</tbody>
</table>

Changes in the fair value of equity securities resulted in a net unrealized gain of $201 million and net unrealized loss of $82 million for the three and six months ended June 30, 2020, respectively, and net unrealized gains of $57 million and $254 million for the three and six months ended June 30, 2019, respectively, which were included in Other income (expense), net on our Condensed Consolidated Statements of Operations.

Our equity investment in Galapagos NV (“Galapagos”), which we account for using the fair value option, is classified as Other long-term assets on our Condensed Consolidated Balance Sheets. The following table summarizes the classification of our equity securities in our Condensed Consolidated Balance Sheets (in millions):

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2020</th>
<th></th>
<th></th>
<th>December 31, 2019</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$4,419</td>
<td>—</td>
<td>—</td>
<td>$4,419</td>
<td>$7,069</td>
<td>—</td>
</tr>
<tr>
<td>Prepaid and other current assets</td>
<td>451</td>
<td>—</td>
<td>—</td>
<td>451</td>
<td>319</td>
<td></td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>3,522</td>
<td>—</td>
<td>—</td>
<td>3,522</td>
<td>3,651</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$8,392</td>
<td>—</td>
<td>—</td>
<td>$11,039</td>
<td>—</td>
<td></td>
</tr>
</tbody>
</table>

Our available-for-sale debt securities are classified as cash equivalents, short-term marketable securities and long-term marketable securities in our Condensed Consolidated Balance Sheets. See Note 4. Available-For-Sale Debt Securities for additional information.

**Level 2 Inputs**

We estimate the fair values of Level 2 instruments by taking into consideration valuations obtained from third-party pricing services. The pricing services utilize industry standard valuation models, including both income-based and market-based approaches, for which all significant inputs are observable, either directly or indirectly, to estimate the fair value. These inputs include reported trades of and broker/dealer quotes on the same or similar securities, issuer credit spreads, benchmark securities, prepayment/default projections based on historical data and other observable inputs.
Substantially all of our foreign currency derivative contracts have maturities within an 18-month time horizon and all are with counterparties that have a minimum credit rating of A- or equivalent by S&P Global Ratings, Moody’s Investors Service, Inc. or Fitch Ratings, Inc. We estimate the fair values of these contracts by taking into consideration the valuations obtained from a third-party valuation service that utilizes an income-based industry standard valuation model for which all significant inputs are observable, either directly or indirectly. These inputs include foreign currency exchange rates, London Interbank Offered Rates and swap rates. These inputs, where applicable, are observable at commonly quoted intervals.

The total estimated fair values of our short-term and long-term debt, determined using Level 2 inputs based on their quoted market values, were approximately $28.7 billion and $27.3 billion as of June 30, 2020 and December 31, 2019, respectively, and the carrying values were $24.1 billion and $24.6 billion as of June 30, 2020 and December 31, 2019, respectively.

4. AVAILABLE-FOR-SALE DEBT SECURITIES

The following table summarizes our available-for-sale debt securities (in millions):

<table>
<thead>
<tr>
<th>Available-for-Sale Debt Securities</th>
<th>June 30, 2020</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amortized Cost</td>
<td>Gross Unrealized Gains</td>
</tr>
<tr>
<td>U.S. treasury securities</td>
<td>$2,479</td>
<td>$19</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>2,783</td>
<td>—</td>
</tr>
<tr>
<td>U.S. government agencies securities</td>
<td>101</td>
<td>—</td>
</tr>
<tr>
<td>Non-U.S. government securities</td>
<td>145</td>
<td>—</td>
</tr>
<tr>
<td>Corporate debt securities</td>
<td>8,755</td>
<td>31</td>
</tr>
<tr>
<td>Residential mortgage and asset-backed securities</td>
<td>621</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>$14,884</td>
<td>53</td>
</tr>
</tbody>
</table>

The following table summarizes the classification of our available-for-sale debt securities in our Condensed Consolidated Balance Sheets (in millions):

<table>
<thead>
<tr>
<th>Classification</th>
<th>June 30, 2020</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$491</td>
<td>$2,291</td>
</tr>
<tr>
<td>Short-term marketable securities</td>
<td>12,168</td>
<td>12,721</td>
</tr>
<tr>
<td>Long-term marketable securities</td>
<td>2,276</td>
<td>1,488</td>
</tr>
<tr>
<td>Total</td>
<td>$14,935</td>
<td>$16,500</td>
</tr>
</tbody>
</table>

Accrued interest receivable excluded from both the fair value and amortized cost basis of the available-for-sale debt securities was $56 million and $37 million as of June 30, 2020 and December 31, 2019, respectively, and is recorded in Prepaid and other current assets on our Condensed Consolidated Balance Sheets. In connection with the adoption of Topic 326, we made an accounting policy election to not measure an allowance for credit losses for accrued interest receivable. There were no write-offs of accrued interest receivable during the three and six months ended June 30, 2020.

The following table summarizes our available-for-sale debt securities by contractual maturity (in millions):

<table>
<thead>
<tr>
<th>Contractual Maturity</th>
<th>June 30, 2020</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>$14,884</td>
<td>$14,935</td>
</tr>
<tr>
<td>After one year through five years</td>
<td>$12,623</td>
<td>$12,659</td>
</tr>
<tr>
<td>After five years</td>
<td>64</td>
<td>64</td>
</tr>
<tr>
<td>Total</td>
<td>$14,884</td>
<td>$14,935</td>
</tr>
</tbody>
</table>

14
The following table summarizes our available-for-sale debt securities in an unrealized loss position (in millions):

<table>
<thead>
<tr>
<th></th>
<th>Less Than 12 Months</th>
<th>12 Months or Greater</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross Unrealized</td>
<td>Estimated Fair Value</td>
<td>Gross Unrealized</td>
</tr>
<tr>
<td>Corporate debt securities</td>
<td>$ (2) $ 1,175</td>
<td>$ — $ —</td>
<td>$ (2) $ 1,175</td>
</tr>
<tr>
<td>Corporate debt securities</td>
<td>$ (1) $ 1,866</td>
<td>$ — $ 4</td>
<td>$ (1) $ 1,870</td>
</tr>
</tbody>
</table>

We held a total of 181 positions which were in an unrealized loss position as of June 30, 2020. The unrealized losses are largely due to changes in interest rates. We do not intend to sell these securities nor do we believe that we will be required to sell these securities before the recovery of the amortized cost basis. Accordingly, no credit losses were recognized for the three and six months ended June 30, 2020.

5. DERIVATIVE FINANCIAL INSTRUMENTS

Our operations in foreign countries expose us to market risk associated with foreign currency exchange rate fluctuations between the U.S. dollar and various foreign currencies, primarily the Euro. To manage this risk, we may hedge a portion of our foreign currency exposures related to outstanding monetary assets and liabilities as well as forecasted product sales using foreign currency exchange forward or option contracts. In general, the market risk related to these contracts is offset by corresponding gains and losses on the hedged transactions. The credit risk associated with these contracts is driven by changes in interest and currency exchange rates and, as a result, varies over time. By working only with major banks and closely monitoring current market conditions, we seek to limit the risk that counterparties to these contracts may be unable to perform. We also seek to limit our risk of loss by entering into contracts that permit net settlement at maturity. Therefore, our overall risk of loss in the event of a counterparty default is limited to the amount of any unrealized gains on outstanding contracts (i.e., those contracts that have a positive fair value) at the date of default. We do not enter into derivative contracts for trading purposes.

We hedge our exposure to foreign currency exchange rate fluctuations for certain monetary assets and liabilities that are denominated in a non-functional currency. The derivative instruments we use to hedge this exposure are not designated as hedges and, as a result, changes in their fair value are recorded in Other income (expense), net on our Condensed Consolidated Statements of Operations.

We hedge our exposure to foreign currency exchange rate fluctuations for forecasted product sales that are denominated in a non-functional currency. The derivative instruments we use to hedge this exposure are designated as cash flow hedges and have maturities of 18 months or less. Upon executing a hedging contract and quarterly thereafter, we assess hedge effectiveness using regression analysis. The unrealized gains or losses in Accumulated other comprehensive income ("AOCI") are reclassified into product sales when the respective hedged transactions affect earnings. The majority of gains and losses related to the hedged forecasted transactions reported in AOCI as of June 30, 2020 are expected to be reclassified to product sales within 12 months.

The cash flow effects of our derivative contracts for the six months ended June 30, 2020 and 2019 were included within Net cash provided by operating activities on our Condensed Consolidated Statements of Cash Flows.

We had notional amounts on foreign currency exchange contracts outstanding of $2.9 billion as of June 30, 2020 and December 31, 2019.
While all our derivative contracts allow us the right to offset assets and liabilities, we have presented amounts on a gross basis. The following table summarizes the classification and fair values of derivative instruments in our Condensed Consolidated Balance Sheets (in millions):

**June 30, 2020**

<table>
<thead>
<tr>
<th>Classification</th>
<th>Asset Derivatives</th>
<th>Liability Derivatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid and other current assets</td>
<td>$20</td>
<td>Other accrued liabilities $$(13)</td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>1</td>
<td>Other long-term obligations $(5)</td>
</tr>
<tr>
<td><strong>Total derivatives designated as hedges</strong></td>
<td><strong>21</strong></td>
<td><strong>(18)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Classification</th>
<th>Asset Derivatives</th>
<th>Liability Derivatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid and other current assets</td>
<td>—</td>
<td>Other accrued liabilities —</td>
</tr>
<tr>
<td><strong>Total derivatives not designated as hedges</strong></td>
<td><strong>—</strong></td>
<td><strong>—</strong></td>
</tr>
<tr>
<td><strong>Total derivatives</strong></td>
<td><strong>$21</strong></td>
<td><strong>$(18)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Classification</th>
<th>Asset Derivatives</th>
<th>Liability Derivatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid and other current assets</td>
<td>$36</td>
<td>Other accrued liabilities $$(6)</td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>—</td>
<td>Other long-term obligations $(2)</td>
</tr>
<tr>
<td><strong>Total derivatives designated as hedges</strong></td>
<td><strong>36</strong></td>
<td><strong>(8)</strong></td>
</tr>
<tr>
<td><strong>Total derivatives not designated as hedges</strong></td>
<td><strong>—</strong></td>
<td><strong>—</strong></td>
</tr>
<tr>
<td><strong>Total derivatives</strong></td>
<td><strong>$37</strong></td>
<td><strong>$(8)</strong></td>
</tr>
</tbody>
</table>

The following table summarizes the effect of our foreign currency exchange contracts on our Condensed Consolidated Financial Statements (in millions):

<table>
<thead>
<tr>
<th>Classification</th>
<th>Three Months Ended June 30, 2020</th>
<th>Six Months Ended June 30, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gains (losses) recognized in AOCI</td>
<td>$42 $1 $24</td>
<td>$29 $2</td>
</tr>
<tr>
<td>Gains reclassified from AOCI into product sales</td>
<td>$18 $36 $45</td>
<td>$65 $5</td>
</tr>
<tr>
<td><strong>Gains (losses) recognized in Other income (expense), net</strong></td>
<td><strong>$21 $5 $3</strong></td>
<td><strong>$11 $1</strong></td>
</tr>
</tbody>
</table>

From time to time, we may discontinue cash flow hedges and, as a result, record related amounts in Other income (expense), net on our Condensed Consolidated Statements of Operations. There were no discontinuances of cash flow hedges for the three and six months ended June 30, 2020 and 2019.
As of June 30, 2020 and December 31, 2019, we only held foreign currency exchange contracts. The following table summarizes the potential effect of offsetting our foreign currency exchange contracts on our Condensed Consolidated Balance Sheets (in millions):

<table>
<thead>
<tr>
<th>Description</th>
<th>Gross Amounts of Recognized Assets/Liabilities</th>
<th>Gross Amounts Offset on our Condensed Consolidated Balance Sheets</th>
<th>Amounts of Assets/Liabilities Presented on our Condensed Consolidated Balance Sheets</th>
<th>Gross Amounts Not Offset on our Condensed Consolidated Balance Sheets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As of June 30, 2020</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative assets</td>
<td>$21</td>
<td>—</td>
<td>$21</td>
<td>($12)</td>
</tr>
<tr>
<td>Derivative liabilities</td>
<td>($18)</td>
<td>—</td>
<td>($18)</td>
<td>$12</td>
</tr>
<tr>
<td><strong>As of December 31, 2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative assets</td>
<td>$37</td>
<td>—</td>
<td>$37</td>
<td>($6)</td>
</tr>
<tr>
<td>Derivative liabilities</td>
<td>($8)</td>
<td>—</td>
<td>($8)</td>
<td>$7</td>
</tr>
</tbody>
</table>

6. ACQUISITION, COLLABORATIONS AND OTHER ARRANGEMENTS

We continue to pursue acquisitions, licensing and strategic collaborations and other similar arrangements including equity investments with third parties for the development and commercialization of certain products and product candidates. These arrangements may include non-refundable upfront payments, expense reimbursements or payments by us for options to acquire certain rights, contingent obligations by us for potential development and regulatory milestone payments and/or sales-based milestone payments, royalty payments, revenue or profit-sharing arrangements and cost-sharing arrangements.

**Acquisition**

*Forty Seven, Inc. (“Forty Seven”)*

On April 7, 2020, we acquired all of the then issued and outstanding common stock of Forty Seven, a clinical-stage immuno-oncology company focused on developing therapies targeting cancer immune evasion pathways and specific cell targeting approaches, for a price of $95.50 per share in cash, for total consideration of $4.7 billion, net of acquired cash. As a result, Forty Seven became our wholly-owned subsidiary. Forty Seven’s lead program, magrolimab, is an investigational monoclonal antibody in clinical development for the treatment of myelodysplastic syndrome, acute myeloid leukemia, non-Hodgkin lymphoma and solid tumors.

We accounted for the transaction as an asset acquisition since the lead asset, magrolimab, represented substantially all the fair value of the gross assets acquired. At the acquisition date, we recorded a $4.5 billion charge representing an acquired IPR&D asset with no alternative future use in Acquired in-process research and development expenses on our Condensed Consolidated Statements of Operations. In connection with this acquisition, we recorded $202 million of assets acquired primarily consisting of deferred tax assets. Liabilities assumed were not material. During the three months ended June 30, 2020, we also recorded share-based compensation expense of $44 million related to the cash settlement of unvested Forty Seven employee stock awards attributable to post-acquisition services, which was primarily recorded in Research and development expenses on our Condensed Consolidated Statements of Operations.

**Collaborations and Other Arrangements**

*Arcus Biosciences, Inc. (“Arcus”)*

On May 29, 2020, we acquired 2.2 million shares of the common stock of Arcus, a publicly traded oncology-focused biopharmaceutical company, for approximately $61 million in a secondary equity offering.

Separately, on May 27, 2020, we entered into a transaction with Arcus, which included entry into an option, license and collaboration agreement (the “Collaboration Agreement”) and a common stock purchase agreement and an investor rights agreement (together, the “Stock Purchase Agreements”). Subsequently, on July 13, 2020, we closed the transaction with Arcus.
Upon closing, we made an upfront payment of $175 million and acquired approximately 6 million additional shares of Arcus’ common stock for $200 million in accordance with the terms of the Collaboration Agreement and the Stock Purchase Agreements. We owned a total of approximately 13% of the outstanding voting stock of Arcus immediately following the closing of the transaction. The upfront payment will be reflected in Acquired in-process research and development expenses on our Condensed Consolidated Statements of Operations during the three months ended September 30, 2020. We will account for our equity investment in Arcus at fair value with changes in fair value recognized in Other income (expense), net for each reporting period.

Gilead has the right to opt-in to all current and future investigational product candidates that emerge from Arcus’ research portfolio for the ten years following the closing of the transaction. Upon our exercise of an option for a program, unless Arcus opts out according to the terms of the Collaboration Agreement, the companies will co-develop and share global development costs and will co-commercialize and share profits in the U.S. We will obtain exclusive rights to commercialize any optioned programs outside of the U.S., subject to any rights of Arcus’ existing partners, for which we will pay to Arcus tiered royalties ranging from the high teens to the low twenties.

We are required to pay up to $400 million to Arcus as ongoing research and development support over the 10-year collaboration term.

Under the Collaboration Agreement, we will potentially provide up to $1.2 billion in opt-in and milestone payments with respect to current clinical product candidates, if and when such payments are triggered under the Collaboration Agreement.

Under the Stock Purchase Agreements, we have the right to purchase additional shares of Arcus over the next five years, up to a maximum of 35% of the outstanding voting stock. We are subject to a three-year standstill restricting our ability to acquire voting stock of Arcus exceeding more than 35% of the then issued and outstanding voting stock of Arcus. Additionally, we agreed not to dispose of any equity securities of Arcus prior to the second anniversary of the closing of the Stock Purchase Agreements without the prior consent of Arcus, subject to certain exceptions.

**Pionyr Immunotherapeutics, Inc. (“Pionyr”)**

On June 19, 2020, we entered into a transaction with Pionyr, a privately held company pursuing novel biology in the field of immuno-oncology, which included entry into two separate merger agreements, one contemplating the initial acquisition of 49.9% equity interest in Pionyr, and the other providing that we will have the exclusive option, subject to certain terms and conditions, to acquire the remaining outstanding capital stock of Pionyr (together, the “Merger and Option Agreements”) and a research and development service agreement. Subsequently, on July 13, 2020, we closed the transaction with Pionyr.

We will pay $275 million in cash, subject to certain customary adjustments, to Pionyr’s shareholders in accordance with the terms of the Merger and Option Agreements. Our investment in Pionyr will be accounted for using the equity method of accounting. From the first anniversary of the closing date, we may choose to exercise our option to purchase the remaining equity interest from Pionyr’s current shareholders for a $315 million option exercise fee and up to $1.2 billion in potential future milestone payments upon achievement of certain development and regulatory milestones, in each case subject to certain negotiated adjustments. Such option to purchase will expire following the earliest occurrence of specified events, including the delivery of data following completion of certain Phase 1b trials by Pionyr. Under the research and development service agreement, we will make an initial cash funding of $80 million and will provide additional payments of up to $115 million to Pionyr upon achievement of certain development milestones.

**Tizona Therapeutics, Inc. (“Tizona”)**

In an event subsequent to the second quarter of 2020, on July 17, 2020, we entered into a transaction with Tizona, a privately held company developing cancer immunotherapies, which included entry into two separate merger agreements, one contemplating the initial acquisition of a 49.9% equity interest in Tizona, and the other providing that we will have the exclusive option, subject to certain terms and conditions, to acquire the remaining outstanding capital stock of Tizona (together, the “Merger and Option Agreements”) and a development agreement. The transaction is expected to close in the third quarter of 2020 and is subject to antitrust clearance under the Hart-Scott-Rodino Antitrust Improvements Act and other customary closing conditions.

We will pay $300 million in cash, subject to certain customary adjustments, to Tizona’s shareholders in accordance with the terms of the Merger and Option Agreements. Our investment in Tizona will be accounted for using the equity method of accounting. From the first anniversary of the closing date, we may choose to exercise our option to purchase the remaining equity interest from Tizona’s current shareholders for up to $1.3 billion, including an option fee and potential future milestone payments, in each case subject to certain negotiated adjustments. Such option to purchase will expire following the earliest occurrence of specified events, including the delivery of data following completion of certain Phase 1b trials by Tizona. Under the development agreement, we will also provide funding to support Tizona’s ongoing research and development to advance its novel pipeline.
Other Arrangements

During the three and six months ended June 30, 2020 and 2019, we entered into several collaborative and other similar arrangements, including equity investments and licensing arrangements, that we do not consider to be individually material. We recorded upfront collaboration expenses related to these arrangements of $25 million and $122 million for the three and six months ended June 30, 2020, respectively, and $165 million and $291 million for the three and six months ended June 30, 2019, respectively, within Acquired in-process research and development expenses on our Condensed Consolidated Statements of Operations. Cash payments made related to our equity investments for the three and six months ended June 30, 2020 were not material, and totaled $48 million and $104 million for the three and six months ended June 30, 2019, respectively, which were primarily recorded within Prepaid and other current assets and Other long-term assets on our Condensed Consolidated Balance Sheets.

Under the financial terms of these arrangements, we may be required to make payments upon achievement of developmental, regulatory and commercial milestones, which could be significant. Future milestone payments, if any, will be reflected in our Condensed Consolidated Statements of Operations when the corresponding events become probable. In addition, we may be required to pay significant royalties on future sales if products related to these arrangements are commercialized. The payment of these amounts, however, is contingent upon the occurrence of various future events, which have a high degree of uncertainty of occurrence.

7. OTHER FINANCIAL INFORMATION

Inventories

The following table summarizes our Inventories (in millions):

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2020</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials</td>
<td>$1,142</td>
<td>$1,348</td>
</tr>
<tr>
<td>Work in process</td>
<td>180</td>
<td>170</td>
</tr>
<tr>
<td>Finished goods</td>
<td>645</td>
<td>549</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,967</strong></td>
<td><strong>$2,067</strong></td>
</tr>
</tbody>
</table>

Reported as:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2020</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventories</td>
<td>$1,052</td>
<td>$922</td>
</tr>
<tr>
<td>Other long-term assets (1)</td>
<td>915</td>
<td>1,145</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,967</strong></td>
<td><strong>$2,067</strong></td>
</tr>
</tbody>
</table>

(1) Amounts primarily consist of raw materials.

Other Accrued Liabilities

The following table summarizes the components of Other accrued liabilities (in millions):

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2020</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation and employee benefits</td>
<td>$505</td>
<td>$599</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>911</td>
<td>287</td>
</tr>
<tr>
<td>Other accrued expenses</td>
<td>2,280</td>
<td>2,188</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,696</strong></td>
<td><strong>$3,074</strong></td>
</tr>
</tbody>
</table>
8. INTANGIBLE ASSETS

The following table summarizes our intangible assets, net (in millions):

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2020</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross Carrying Amount</td>
<td>Accumulated Amortization</td>
</tr>
<tr>
<td></td>
<td>$10,720</td>
<td>$(4,603)</td>
</tr>
<tr>
<td>Intangible asset - sofosbuvir</td>
<td>$10,720</td>
<td>$(4,253)</td>
</tr>
<tr>
<td>Intangible asset - axicabtagene ciloleucel</td>
<td>$6,200</td>
<td>$(933)</td>
</tr>
<tr>
<td>Other</td>
<td>$1,098</td>
<td>$(495)</td>
</tr>
<tr>
<td></td>
<td>$1,098</td>
<td>$(454)</td>
</tr>
<tr>
<td></td>
<td>$18,018</td>
<td>$(6,031)</td>
</tr>
<tr>
<td></td>
<td>$18,018</td>
<td>$(5,468)</td>
</tr>
<tr>
<td></td>
<td>$1,247</td>
<td>—</td>
</tr>
<tr>
<td>Indefinite-lived assets - IPR&amp;D</td>
<td>$1,247</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>$19,265</td>
<td>$(6,031)</td>
</tr>
<tr>
<td></td>
<td>$19,265</td>
<td>$(5,468)</td>
</tr>
<tr>
<td></td>
<td>$13,225</td>
<td>$(11)</td>
</tr>
<tr>
<td></td>
<td>$11,983</td>
<td>$.</td>
</tr>
</tbody>
</table>

Aggregate amortization expense related to finite-lived intangible assets was $282 million and $563 million for the three and six months ended June 30, 2020, respectively, $288 million and $587 million for the three and six months ended June 30, 2019, respectively, and was primarily included in Cost of goods sold on our Condensed Consolidated Statements of Operations.

The following table summarizes the estimated future amortization expense associated with our finite-lived intangible assets as of June 30, 2020 (in millions):

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020 (remaining six months)</td>
<td>$ 562</td>
</tr>
<tr>
<td>2021</td>
<td>1,125</td>
</tr>
<tr>
<td>2022</td>
<td>1,125</td>
</tr>
<tr>
<td>2023</td>
<td>1,125</td>
</tr>
<tr>
<td>2024</td>
<td>1,125</td>
</tr>
<tr>
<td>Thereafter</td>
<td>6,921</td>
</tr>
<tr>
<td>Total</td>
<td>$11,983</td>
</tr>
</tbody>
</table>
## DEBT AND CREDIT FACILITIES

### Senior Unsecured Notes

The following table summarizes our borrowings under our senior unsecured notes (in millions):

<table>
<thead>
<tr>
<th>Issue Date</th>
<th>Maturity Date</th>
<th>Interest Rate</th>
<th>Carrying Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 2014</td>
<td>February 2020</td>
<td>2.35%</td>
<td>$ —</td>
</tr>
<tr>
<td>September 2015</td>
<td>September 2020</td>
<td>2.55%</td>
<td>2,000</td>
</tr>
<tr>
<td>March 2011</td>
<td>April 2021</td>
<td>4.50%</td>
<td>999</td>
</tr>
<tr>
<td>December 2011</td>
<td>December 2021</td>
<td>4.40%</td>
<td>1,249</td>
</tr>
<tr>
<td>September 2016</td>
<td>March 2022</td>
<td>1.95%</td>
<td>499</td>
</tr>
<tr>
<td>September 2015</td>
<td>September 2022</td>
<td>3.25%</td>
<td>998</td>
</tr>
<tr>
<td>September 2016</td>
<td>September 2023</td>
<td>2.50%</td>
<td>747</td>
</tr>
<tr>
<td>March 2014</td>
<td>April 2024</td>
<td>3.70%</td>
<td>1,745</td>
</tr>
<tr>
<td>November 2014</td>
<td>February 2025</td>
<td>3.50%</td>
<td>1,746</td>
</tr>
<tr>
<td>September 2015</td>
<td>March 2026</td>
<td>3.65%</td>
<td>2,735</td>
</tr>
<tr>
<td>September 2016</td>
<td>March 2027</td>
<td>2.95%</td>
<td>1,246</td>
</tr>
<tr>
<td>September 2015</td>
<td>September 2035</td>
<td>4.60%</td>
<td>991</td>
</tr>
<tr>
<td>September 2016</td>
<td>September 2036</td>
<td>4.00%</td>
<td>741</td>
</tr>
<tr>
<td>December 2011</td>
<td>December 2041</td>
<td>5.65%</td>
<td>996</td>
</tr>
<tr>
<td>March 2014</td>
<td>April 2044</td>
<td>4.80%</td>
<td>1,734</td>
</tr>
<tr>
<td>November 2014</td>
<td>February 2045</td>
<td>4.50%</td>
<td>1,732</td>
</tr>
<tr>
<td>September 2015</td>
<td>March 2046</td>
<td>4.75%</td>
<td>2,218</td>
</tr>
<tr>
<td>September 2016</td>
<td>March 2047</td>
<td>4.15%</td>
<td>1,726</td>
</tr>
<tr>
<td><strong>Total debt, net</strong></td>
<td></td>
<td></td>
<td><strong>24,102</strong></td>
</tr>
<tr>
<td><strong>Less: current portion</strong></td>
<td></td>
<td></td>
<td><strong>2,999</strong></td>
</tr>
<tr>
<td><strong>Total long-term debt, net</strong></td>
<td></td>
<td></td>
<td><strong>$ 21,103</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>$ 22,094</strong></td>
</tr>
</tbody>
</table>

In February 2020, we repaid $500 million of our senior unsecured notes upon maturity. We are required to comply with certain covenants under our note indentures governing our senior notes. As of June 30, 2020, we were not in violation of any covenants.

### Credit Facilities

In June 2020, we terminated our $2.5 billion revolving credit facility maturing in May 2021 (the “2016 Revolving Credit Facility”) and entered into a new $2.5 billion revolving credit facility maturing in June 2025 (the “2020 Revolving Credit Facility”), which has terms substantially similar to the 2016 Revolving Credit Facility. The 2020 Revolving Credit Facility can be used for working capital requirements and for general corporate purposes, including, without limitation, acquisitions. As of June 30, 2020 and December 31, 2019, there were no amounts outstanding under these revolving credit facilities.

The 2020 Revolving Credit Facility contains customary representations, warranties, affirmative and negative covenants and events of default. At June 30, 2020, we were not in violation of any covenants. Loans under the 2020 Revolving Credit Facility bear interest at either (i) the Eurodollar Rate plus the Applicable Percentage, or (ii) the Base Rate plus the Applicable Percentage, each as defined in the 2020 Revolving Credit Facility agreement. We may terminate or reduce the commitments, and may prepay any loans under the new credit facility in whole or in part at any time without premium or penalty.
10. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

We are a party to various legal actions. The most significant of these are described below. We recognize accruals for such actions to the extent that we conclude that a loss is both probable and reasonably estimable. We accrue for the best estimate of a loss within a range; however, if no estimate in the range is better than any other, then we accrue the minimum amount in the range. If we determine that a material loss is reasonably possible and the loss or range of loss can be estimated, we disclose the possible loss. Unless otherwise noted, it is not possible to determine the outcome of these matters or the outcome (including in excess of any accrual) is not expected to be material, and we cannot reasonably estimate the maximum potential exposure or the range of possible loss.

We did not have any material accruals for the matters described below in our Condensed Consolidated Balance Sheets as of June 30, 2020 and December 31, 2019.

Litigation Related to Sofosbuvir

In 2012, we acquired Pharmasset, Inc. (“Pharmasset”). Through the acquisition, we acquired sofosbuvir, a nucleotide analog that acts to inhibit the replication of the hepatitis C virus (“HCV”). In 2013, we received approval from the U.S. Food and Drug Administration (“FDA”) for sofosbuvir, now known commercially as Sovaldi. Sofosbuvir is also included in all of our marketed HCV products. We have received a number of litigation claims regarding sofosbuvir. While we have carefully considered these claims both prior to and following the acquisition and believe they are without merit, we cannot predict the ultimate outcome of such claims or range of loss.

We are aware of patents and patent applications owned by third parties that have been or may in the future be alleged by such parties to cover the use of our HCV products. If third parties obtain valid and enforceable patents, and successfully prove infringement of those patents by our HCV products, we could be required to pay significant monetary damages. We cannot predict the ultimate outcome of intellectual property claims related to our HCV products. We have spent, and will continue to spend, significant resources defending against these claims.

Litigation with Idenix Pharmaceuticals, Inc. (“Idenix”), Universita Degli Studi di Capriari (“UDSG”), Centre National de la Recherche Scientifique and L’Université Montpellier II

In 2013, Idenix, UDSG, Centre National de la Recherche Scientifique and L’Université Montpellier II sued us in the U.S. District Court for the District of Delaware alleging that the commercialization of sofosbuvir infringes U.S. Patent No. 7,608,600 (the “’600 patent”). We prevailed at all phases of litigation concerning the ’600 patent, and in 2018, the U.S. Supreme Court denied Idenix’s petition for certiorari. Also in 2013, Idenix and UDSG sued us in the U.S. District Court for the District of Massachusetts alleging that the commercialization of sofosbuvir infringes U.S. Patent Nos. 6,914,054 (the “’054 patent”) and 7,608,597 (the “’597 patent”). In 2014, the court transferred the Massachusetts litigation to the U.S. District Court for the District of Delaware.

Prior to trial in 2016, Idenix committed to give us a covenant not to sue with respect to any claims arising out of the ’054 patent related to sofosbuvir and withdrew that patent from the trial. A jury trial was held in 2016 on the ’597 patent, and the jury found that we willfully infringed the asserted claims of the ’597 patent and awarded Idenix $2.54 billion in past damages. In 2018, the judge invalidated Idenix’s ’597 patent and vacated the jury’s award of $2.54 billion in past damages. Idenix appealed this decision to the U.S. Court of Appeals for the Federal Circuit (“CAFC”), and in October 2019, the CAFC issued an opinion affirming the trial court’s decision that the ’597 patent is invalid. In April 2020, the CAFC denied Idenix’s petition for rehearing en banc. Idenix may seek review by the U.S. Supreme Court.

Litigation with the University of Minnesota

The University of Minnesota (the “University”) has obtained U.S. Patent No. 8,815,830 (the “’830 patent”), which purports to broadly cover nucleosides with antiviral and anticancer activity. In 2016, the University filed a lawsuit against us in the U.S. District Court for the District of Minnesota, alleging that the commercialization of sofosbuvir-containing products infringes the ’830 patent. We believe the ’830 patent is invalid and will not be infringed by the continued commercialization of sofosbuvir. In 2017, the court granted our motion to transfer the case to California. We have also filed petitions for inter partes review with the U.S. Patent and Trademark Office Patent Trial and Appeal Board (“PTAB”) alleging that all asserted claims are invalid for anticipation and obviousness, and the PTAB instituted one of these petitions. In 2018, the U.S. District Court for the Northern District of California stayed the litigation until after the PTAB concludes its review of the inter partes review that it has initiated, which we expect will occur by 2021.
Litigation Related to Axicabtagene Ciloleucel

We own patents and patent applications that protect our axicabtagene ciloleucel chimeric DNA segments. Third parties may have, or may obtain rights to, patents that could allegedly be used to prevent or attempt to prevent us from commercializing axicabtagene ciloleucel or to require us to obtain a license in order to commercialize axicabtagene ciloleucel.

In October 2017, Juno Therapeutics, Inc. and Sloan Kettering Cancer Center (collectively, “Juno”) filed a lawsuit against us in the U.S. District Court for the Central District of California, alleging that the commercialization of axicabtagene ciloleucel, sold commercially as Yescarta, infringes on U.S. Patent No. 7,446,190 (the “’190 patent”). A jury trial was held on the ’190 patent, and in December 2019, the jury found that the asserted claims of the ’190 patent were valid, and that we willfully infringed the asserted claims of the ’190 patent. The jury also awarded Juno damages in amounts of $585 million in an up-front payment and a 27.6% running royalty from October 2017 through the date of the jury’s verdict. The parties filed post-trial motions in the first quarter of 2020, and the trial judge entered a judgment in April 2020. The trial judge affirmed the jury’s verdict, enhanced the past damages by 50% and maintained the royalties on future Yescarta sales at 27.6%.

In assessing whether we should accrue a liability for this litigation in our consolidated financial statements, we considered various factors, including the legal and factual circumstances of the case, the jury’s verdict, the district court’s pre- and post-trial orders, the current status of the proceedings, applicable law, the views of legal counsel and the likelihood that the judgment will be upheld on appeal. As a result of this review, we have determined, in accordance with applicable accounting standards, that it is not probable that we will incur a material loss as a result of this litigation.

If the judgment is reversed on appeal, the loss will be zero. If the judgment is upheld in its entirety on appeal, we estimate a loss through the second quarter of 2020 to be approximately $1.3 billion, which consists of (i) approximately $811 million, which represents damages on Yescarta revenues through December 12, 2019, and prejudgment interest thereon, (ii) approximately $389 million, which represents a 50% enhancement of past damages and (iii) approximately $88 million for royalties and prejudgment interest on Yescarta revenues from December 13, 2019 to June 30, 2020. Although we cannot predict with certainty the ultimate outcome of this litigation on appeal, we believe the jury’s verdict and the judgment to be in error. In April 2020, we filed an appeal seeking to reverse the judgment or obtain a new trial due to errors made by the trial judge.

Litigation Related to Bictegravir

In 2018, ViiV Healthcare Company (“ViiV”) filed a lawsuit against us in the U.S. District Court of Delaware, alleging that the commercialization of bictegravir, sold commercially in combination with tenofovir alafenamide and emtricitabine as Biktarvy, infringes ViiV’s U.S. Patent No. 8,129,385 (the “’385 patent”) covering ViiV’s dolutegravir. Bictegravir is structurally different from dolutegravir, and we believe that bictegravir does not infringe the sole asserted claim of the ’385 patent. The court has set a trial date of September 2020 for this lawsuit.

In 2018, ViiV also filed a lawsuit against us in the Federal Court of Canada, alleging that our activities relating to our bictegravir compound have infringed ViiV’s Canadian Patent No. 2,606,282 (the “’282 patent”), which was issued to Shionogi & Co. Ltd. and ViiV. The ’282 patent is the compound patent covering ViiV’s dolutegravir. We believe that bictegravir does not infringe the claims of the ’282 patent. In January 2020, the court held a summary trial to assess ViiV’s infringement allegations. In April 2020, the court determined that bictegravir does not infringe the claims of the ’282 patent and dismissed the case. ViiV has appealed this decision.

In November and December 2019, ViiV filed lawsuits in France, Germany, Ireland and the UK asserting the relevant national designations of European Patent No. 3 045 206 (“EP ’206”); in Australia asserting Australian Patent No. 2006239177; in Japan asserting Japanese Patent No. 4295353; and in Korea asserting Korean Patent Nos. 1848819 and 1363875. These patents all relate to molecules which ViiV claims would act as integrase inhibitors. We believe that bictegravir does not infringe the claims of any of ViiV’s patents. In 2019, we filed an opposition in the European Patent Office (“EPO”) requesting revocation of EP ’206. The EPO hearing is scheduled for 2021. In all jurisdictions, to the extent that the claims of ViiV’s patents are interpreted to cover bictegravir, we believe that those claims are invalid. We cannot predict the ultimate outcome of intellectual property claims related to bictegravir.
**Litigation Relating to Pre-Exposure Prophylaxis**

In August 2019, we filed petitions requesting inter partes review of U.S. Patent Nos. 9,044,509, 9,579,333, 9,937,191 and 10,335,423 (collectively, “HHS Patents”) by PTAB. The HHS Patents are assigned to the U.S. Department of Health and Human Services (“HHS”) and purport to claim a process of protecting a primate host from infection by an immunodeficiency retrovirus by administering a combination of emtricitabine and tenofovir or TDF prior to exposure of the host to the immunodeficiency retrovirus, a process commonly known as pre-exposure prophylaxis (“PrEP”). In November 2019, the U.S. Department of Justice filed a lawsuit against us in the U.S. District Court of Delaware, alleging that the sale of Truvada and Descovy for use as PrEP infringes the HHS Patents. In February 2020, PTAB declined to institute our petitions for inter partes review of the HHS Patents. In April 2020, we filed a breach of contract lawsuit against the U.S. federal government in the Court of Federal Claims, alleging violations of four material transfer agreements (“MTAs”) related to the research underlying the HHS Patents and a clinical trial agreement (“CTA”) by the U.S. Centers for Disease Control and Prevention related to PrEP research. Although we cannot predict with certainty the ultimate outcome of these litigation matters, we believe that the U.S. federal government breached the MTAs and CTA, that Truvada and Descovy do not infringe the HHS Patents and that the HHS Patents are invalid over prior art descriptions of Truvada’s use for PrEP and post-exposure prophylaxis as well because physicians and patients were using the claimed methods years before HHS filed the applications for the patents.

**Litigation with Generic Manufacturers**

As part of the approval process for some of our products, FDA granted us a New Chemical Entity (“NCE”) exclusivity period during which other manufacturers’ applications for approval of generic versions of our product will not be approved. Generic manufacturers may challenge the patents protecting products that have been granted NCE exclusivity one year prior to the end of the NCE exclusivity period. Generic manufacturers have sought and may continue to seek FDA approval for a similar or identical drug through an abbreviated new drug application (“ANDA”), the application form typically used by manufacturers seeking approval of a generic drug. The sale of generic versions of our products earlier than their patent expiration would have a significant negative effect on our revenues and results of operations. To seek approval for a generic version of a product having NCE status, a generic company may submit its ANDA to FDA four years after the branded product’s approval.

Starting in December 2019, we received letters from Lupin Ltd., Apotex Inc., Shilpa Medicare Ltd., Sunshine Lake Pharma Co. Ltd., Laurus Labs, Natco Pharma Ltd., Macleods Pharma Ltd., Hetero Labs Ltd. and Cipla Ltd. (collectively, “generic manufacturers”) indicating that they have submitted ANDAs to FDA requesting permission to market and manufacture generic versions of certain of our tenofovir alafenamide (“TAF”), containing products. Between them, these generic manufacturers seek to market generic versions of Odefsey, Descovy and Vemlidy. Some generic manufacturers have challenged the validity of four patents listed on the Orange Book and associated with TAF, while others have challenged the validity of two of our Orange Book-listed patents associated with TAF. We filed lawsuits against the generic manufacturers, and we intend to enforce and defend our intellectual property.

**European Patent Claims**

In 2015, several parties filed oppositions in the EPO requesting revocation of one of our granted European patents covering sofosbuvir that expires in 2028. In 2016, the EPO upheld the validity of certain claims of our sofosbuvir patent. We have appealed this decision, seeking to restore all of the original claims, and several of the original opposing parties have also appealed, requesting full revocation. The appeal hearing is scheduled for July 2021.

In 2017, several parties filed oppositions in the EPO requesting revocation of our granted European patent relating to sofosbuvir that expires in 2024. The EPO conducted an oral hearing for this opposition in 2018 and upheld the claims. Two of the original opposing parties have appealed, requesting full revocation.

In 2016, several parties filed oppositions in the EPO requesting revocation of our granted European patent covering TAF that expires in 2026. In 2017, the EPO upheld the validity of the claims of our TAF patent. Three parties have appealed this decision. The appeal hearing is scheduled for March 2021.

In 2017, several parties filed oppositions in the EPO requesting revocation of our granted European patent relating to TAF hemifumarate that expires in 2032. In 2019, the EPO upheld the validity of the claims of our TAF hemifumarate patent. Three parties have appealed this decision.

In 2016, three parties filed oppositions in the EPO requesting revocation of our granted European patent covering cobicistat that expires in 2027. In 2017, the EPO upheld the validity of the claims of our cobicistat patent. Two parties have appealed this decision.
The appeal process may take several years for all EPO opposition proceedings. While we are confident in the strength of our patents, we cannot predict the ultimate outcome of these oppositions. If we are unsuccessful in defending these oppositions, some or all of our patent claims may be narrowed or revoked and the patent protection for sofosbuvir, TAF, TAF hemifumarate and cobicistat in the European Union could be substantially shortened or eliminated entirely. If our patents are revoked, and no other European patents are granted covering these compounds, our exclusivity may be based entirely on regulatory exclusivity granted by the European Medicines Agency. If we lose patent protection for any of these compounds, our revenues and results of operations could be negatively impacted for the years including and succeeding the year in which such exclusivity is lost.

**Government Investigations and Related Litigation**

In 2011, we received a subpoena from the U.S. Attorney’s Office for the Northern District of California requesting documents related to the manufacture, quality and distribution practices of Complaera, Atripla, Truvada, Viread, Emtriva, Hepsera and Letairis. We cooperated with the government’s inquiry. In 2014, the U.S. Department of Justice informed us that, following an investigation, it declined to intervene in a False Claims Act lawsuit filed by two former employees. Also in 2014, the former employees filed a First Amended Complaint, and the U.S. District Court for the Northern District of California issued an order granting in its entirety, without prejudice, our motion to dismiss the First Amended Complaint. In 2015, the plaintiffs filed a Second Amended Complaint, and the District Court issued an order granting our motion to dismiss the Second Amended Complaint. The plaintiffs then filed a notice of appeal in the U.S. Court of Appeals for the Ninth Circuit (“Ninth Circuit”). In 2017, the Ninth Circuit granted our motion to stay the case pending an appeal to the U.S. Supreme Court, and we filed a Petition for a Writ of Certiorari to the U.S. Supreme Court. In 2018, the Solicitor General submitted a brief for the United States to the U.S. Supreme Court stating its intention to file a motion to dismiss under the federal False Claims Act. In January 2019, the U.S. Supreme Court denied the petition and the case was remanded to the District Court. In November 2019, the District Court issued an order granting the Department of Justice’s motion to dismiss the Second Amended Complaint, dismissing two of the plaintiffs’ federal False Claims Act claims. In January 2020, the plaintiffs filed a Third Amended Complaint in the District Court, and in February 2020, we filed a motion to dismiss and a motion to strike portions of that complaint. In March 2020, while our motion to dismiss and motion to strike were still pending, the plaintiffs filed a motion for voluntary dismissal without prejudice in the District Court, seeking to dismiss all of their claims in order to re-file some claims in state court. In April 2020, the District Court granted plaintiffs’ request for voluntary dismissal and also significantly narrowed the scope of the plaintiffs’ claims, by dismissing with prejudice the plaintiffs’ federal False Claims Act and retaliation claims and all state and local False Claims Act and retaliation claims, other than those based on California law. In April 2020, the plaintiffs refiled their California False Claims Act and California retaliation claims in the Superior Court of California, County of San Mateo. In July 2020, the California Attorney General declined to intervene in the case, and the complaint was unsealed. Although we cannot predict the ultimate outcome of this lawsuit, we believe the action is without merit and we intend to vigorously defend against it.

In 2016, we received a subpoena from the U.S. Attorney’s Office for the District of Massachusetts requesting documents related to our support of 501(c)(3) organizations that provide financial assistance to patients and documents concerning our provision of financial assistance to patients for our HCV products. We are cooperating with this inquiry and are engaged in discussions on this matter.

In 2017, we received a subpoena from the U.S. Attorney’s Office for the District of Massachusetts requesting documents related to our copay coupon program and Medicaid price reporting methodology. We cooperated with this inquiry, and in July 2020, the government notified us that it was closed.

In 2017, we received a voluntary request for information from the U.S. Attorney’s Office for the Eastern District of Pennsylvania requesting information related to our reimbursement support offerings, clinical education programs and interactions with specialty pharmacies for Sovaldi and Harvoni. In 2018, we received another voluntary request for information related to our speaker programs and advisory boards for our HCV and hepatitis B virus (“HBV”) products. We cooperated with these voluntary requests. In October 2019, the government informed us that, following an investigation, it declined to intervene in two False Claims Act lawsuits against us relating to HCV reimbursement support and clinical education programs and hepatitis B speaker programs and advisory boards, respectively. Notwithstanding the government’s declination, two plaintiffs have continued to pursue the lawsuit relating to HBV speaker programs and advisory boards and served us with the Second Amended Complaint in November 2019. Although we cannot predict the ultimate outcome of this lawsuit, we believe the action is without merit and we intend to vigorously defend against it.

In 2017, we received a subpoena from the California Department of Insurance and the Alameda County District Attorney’s Office requesting documents related to our marketing activities, reimbursement support offerings, clinical education programs and interactions with specialty pharmacies for Harvoni and Sovaldi. We are cooperating with this inquiry.

In 2017, we also received a subpoena from the U.S. Attorney’s Office for the Southern District of New York requesting documents related to our promotional speaker programs for HIV. We are cooperating with this inquiry.
**Product Liability**

We have been named as a defendant in one class action lawsuit and various product liability lawsuits related to Viread, Truvada, Atripla, Complera and Stribild. Plaintiffs allege that Viread, Truvada, Atripla, Complera and/or Stribild caused them to experience kidney, bone and/or tooth injuries. The lawsuits, which are pending in state or federal court in California, Delaware and Hawaii, involve more than 16,000 plaintiffs. Plaintiffs in these cases seek damages and other relief on various grounds for alleged personal injury and economic loss. We intend to vigorously defend ourselves in these actions. While we believe these cases are without merit, we cannot predict the ultimate outcome. If plaintiffs are successful in their claims, we could be required to pay significant monetary damages.

**Antitrust and Consumer Protection**

We (along with Japan Tobacco Inc. (“Japan Tobacco”), Bristol-Myers Squibb Company and Johnson & Johnson, Inc.) have been named as defendants in class action lawsuits filed in 2019 and 2020 related to various drugs used to treat HIV, including drugs used in combination antiretroviral therapy. Japan Tobacco was recently dismissed from the primary lawsuit after a favorable court ruling on the defendants’ motion to dismiss. Plaintiffs allege that we (and the other remaining defendants) engaged in various conduct to restrain competition in violation of federal and state antitrust laws and state consumer protection laws. The lawsuits, which have been or may be consolidated, are all pending in the U.S. District Court for the Northern District of California and seek to bring claims on behalf of a nationwide class of end-payor purchasers, including patients. A similar lawsuit recently filed in the U.S. District Court for the Southern District of Florida has been consolidated and transferred to the U.S. District for the Northern District of California. Plaintiffs seek damages, permanent injunctive relief and other relief. We intend to vigorously defend ourselves in these actions. While we believe these cases are without merit, we cannot predict the ultimate outcome. If plaintiffs are successful in their claims, we could be required to pay significant monetary damages or could be subject to permanent injunctive relief awarded in favor of plaintiffs.

**Other Matters**

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

11. STOCKHOLDERS’ EQUITY

**Stock Repurchase Programs**

In the first quarter of 2016, our Board of Directors authorized a $12.0 billion stock repurchase program (“2016 Program”) under which repurchases may be made in the open market or in privately negotiated transactions. We started repurchases under the 2016 Program in April 2016.

In the first quarter of 2020, our Board of Directors authorized a new $5.0 billion stock repurchase program (“2020 Program”), which will commence upon the completion of the 2016 Program. Purchases under the 2020 Program may be made in the open market or in privately negotiated transactions.

During the three and six months ended June 30, 2020, we repurchased and retired 0.7 million and 19.4 million shares of our common stock for $54 million and $1.4 billion, respectively, through open market transactions under the 2016 Program. During the three and six months ended June 30, 2019, we repurchased and retired 9 million and 21 million shares of our common stock for $588 million and $1.4 billion, respectively, through open market transactions under the 2016 Program. As of June 30, 2020, the remaining authorized repurchase amount under both programs was $7.0 billion.

**Accumulated Other Comprehensive Income**

The following table summarizes the changes in AOCI by component, net of tax (in millions):

<table>
<thead>
<tr>
<th></th>
<th>Foreign Currency Translation</th>
<th>Unrealized Gains and Losses on Available-for-Sale Debt Securities</th>
<th>Unrealized Gains and Losses on Cash Flow Hedges</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 31, 2019</td>
<td>$53</td>
<td>$1</td>
<td>$31</td>
<td>$85</td>
</tr>
<tr>
<td>Net unrealized gain (loss)</td>
<td>(35)</td>
<td>51</td>
<td>21</td>
<td>37</td>
</tr>
<tr>
<td>Reclassifications to net income</td>
<td>—</td>
<td>(13)</td>
<td>(39)</td>
<td>(52)</td>
</tr>
<tr>
<td>Net current period other comprehensive income (loss)</td>
<td>(35)</td>
<td>38</td>
<td>(18)</td>
<td>(15)</td>
</tr>
<tr>
<td>Balance at June 30, 2020</td>
<td>$18</td>
<td>$39</td>
<td>$13</td>
<td>$70</td>
</tr>
</tbody>
</table>

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The amounts reclassified to net income for gains and losses on cash flow hedges are recorded as part of Product sales on our Condensed Consolidated Statements of Operations. See Note 5. Derivative Financial Instruments for additional information. The amounts reclassified to net income for gains and losses on available-for-sale debt securities are recorded as part of Other income (expense), net on our Condensed Consolidated Statements of Operations. Gross realized gains and losses on available-for-sale debt securities were not material for the six months ended June 30, 2020 and 2019. The income tax impact allocated to each component of other comprehensive income (loss) was not material for the periods presented.

12. NET INCOME (LOSS) PER SHARE ATTRIBUTABLE TO GILEAD COMMON STOCKHOLDERS

Basic net income (loss) per share attributable to Gilead common stockholders is calculated based on the weighted average number of shares of our common stock outstanding during the period. Diluted net income per share attributable to Gilead common stockholders is calculated based on the weighted average number of shares of our common stock and other dilutive securities outstanding during the period. The potentially dilutive shares of our common stock resulting from the assumed exercise of outstanding stock options and equivalents were determined under the treasury stock method.

Potential shares of common stock excluded from the computation of diluted net income (loss) per share attributable to Gilead common stockholders because their effect would have been antidilutive were 38 million and 37 million for the three and six months ended June 30, 2020, respectively, and 17 million and 14 million, for the three and six months ended June 30, 2019, respectively.

The following table summarizes the calculation of basic and diluted net income (loss) per share attributable to Gilead common stockholders (in millions, except per share amounts):

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended June 30,</th>
<th>Six Months Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td>Net income (loss) attributable to Gilead</td>
<td>$ (3,339)</td>
<td>$ 1,880</td>
</tr>
<tr>
<td>Shares used in per share calculation - basic</td>
<td>1,255</td>
<td>1,270</td>
</tr>
<tr>
<td>Dilutive effect of stock options and equivalents</td>
<td>—</td>
<td>7</td>
</tr>
<tr>
<td>Shares used in per share calculation - diluted</td>
<td>1,255</td>
<td>1,277</td>
</tr>
<tr>
<td>Net income (loss) per share attributable to Gilead common stockholders - basic</td>
<td>$ (2.66)</td>
<td>$ 1.48</td>
</tr>
<tr>
<td>Net income (loss) per share attributable to Gilead common stockholders - diluted</td>
<td>$ (2.66)</td>
<td>$ 1.47</td>
</tr>
</tbody>
</table>
13. INCOME TAXES

The following table summarizes our Provision for income taxes (in millions, except percentages):

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th>Six Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2020</td>
<td>June 30, 2019</td>
</tr>
<tr>
<td>Income (loss) before provision for income taxes</td>
<td>$(2,973)</td>
<td>$2,410</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>$373</td>
<td>$535</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>(12.5)%</td>
<td>22.2 %</td>
</tr>
</tbody>
</table>

Our effective income tax rate of (12.5)% and (86.4)% for the three and six months ended June 30, 2020, respectively, differed from the U.S. federal statutory rate of 21% primarily due to a non-deductible $4.5 billion IPR&D charge recorded in connection with our acquisition of Forty Seven, without which our effective income tax rate would have been 24.9% and 24.0%, respectively.

Our effective income tax rate of 22.2% for the three months ended June 30, 2019 differed from the U.S. federal statutory rate of 21% primarily due to the Global Intangible Low-Taxed Income (“GILTI”) tax, state taxes and our portion of the non-deductible branded prescription drug (“BPD”) fee, partially offset by earnings from non-U.S. subsidiaries that operate in jurisdictions with lower tax rates than the United States.

Our effective income tax rate of 19.3% for the six months ended June 30, 2019 differed from the U.S. federal statutory rate of 21% primarily due to a $119 million tax benefit related to settlements with taxing authorities and earnings from non-U.S. subsidiaries that operate in jurisdictions with lower tax rates than the United States, partially offset by the GILTI tax, state taxes and our portion of the non-deductible BPD fee.

We are currently under examination by the U.S. Internal Revenue Service for the tax years from 2013 to 2015 and by various state and foreign jurisdictions. There are differing interpretations of tax laws and regulations, and as a result, significant disputes may arise with these tax authorities involving issues of the timing and amount of deductions and allocations of income among various tax jurisdictions. We regularly evaluate our exposures associated with our tax filing positions to determine our assessment of unrecognized tax benefits in accordance with the income tax guidance which clarifies the accounting for uncertainty in income taxes.

As of June 30, 2020, we believe that it is reasonably possible that our unrecognized tax benefits may decrease by approximately $500 million in the next 12 months due to potential resolution with a taxing authority.
Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. The forward-looking statements are contained principally in this section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors.” Words such as “expect,” “anticipate,” “target,” “goal,” “project,” “hope,” “intend,” “plan,” “believe,” “seek,” “estimate,” “continue,” “may,” “could,” “should,” “might,” and variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, any statements other than statements of historical fact are forward-looking statements, including statements regarding overall trends, operating cost and revenue trends, liquidity and capital needs, collaboration and licensing arrangements, statements regarding the anticipated future impact on our business of the ongoing coronavirus disease 2019 (“COVID-19”) and related public health measures, statements regarding the development, manufacturing and distribution of remdesivir as a treatment for COVID-19 in certain markets and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends and similar expressions. We have based these forward-looking statements on our current expectations about future events. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Our actual results may differ materially from those suggested by these forward-looking statements for various reasons, including those identified below under “Risk Factors.” Given these risks and uncertainties, you are cautioned not to place undue reliance on forward-looking statements. The forward-looking statements included in this report are made only as of the date hereof unless otherwise specified. Except as required under federal securities laws and the rules and regulations of the Securities and Exchange Commission ("SEC"), we do not undertake and specifically decline any obligation to update any of these statements or to publicly announce the results of any revisions to any forward-looking statements after the distribution of this report, whether as a result of new information, future events, changes in assumptions or otherwise. In evaluating our business, you should carefully consider the risks described in the section entitled “Risk Factors” under Part II, Item 1A in addition to the other information in this Quarterly Report on Form 10-Q. Any of the risks contained herein could materially and adversely affect our business, results of operations and financial condition.

You should read the following management’s discussion and analysis of our financial condition and results of operations in conjunction with our audited Consolidated Financial Statements and related notes thereto included as part of our Annual Report on Form 10-K for the year ended December 31, 2019 and our unaudited Condensed Consolidated Financial Statements for the six months ended June 30, 2020 and other disclosures (including the disclosures under Part II, Item 1A, “Risk Factors”) included in this Quarterly Report on Form 10-Q. Our Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles and are presented in U.S. dollars.

MANAGEMENT OVERVIEW

Gilead Sciences, Inc. (“Gilead”, “we”, “our” or “us”), incorporated in Delaware on June 22, 1987, is a research-based biopharmaceutical company that discovers, develops and commercializes innovative medicines in areas of unmet medical need. With each new discovery and investigational drug candidate, we strive to transform and simplify care for people with life-threatening illnesses around the world. We have operations in more than 35 countries worldwide, with headquarters in Foster City, California. Gilead’s primary areas of focus include viral diseases, inflammatory and fibrotic diseases and oncology. We seek to add to our existing portfolio of products and product candidates through our internal discovery and clinical development programs, acquisitions, in-licensing, options and other strategic collaborations.

Our portfolio of marketed products includes AmBisome®, Atripla®, Biktarvy®, Cayston®, Complera®/Eviplera®, Descovy®, Descovy for PrEP®, Emtriva®, Epclusa®, Genvoya®, Harvoni®, Hepsera®, Letairis®, Odefsey®, Ranexa®, Sovaldi®, Strioblend®, Tecartus™, Truvada®, Truvada for PrEP®, Tybost®, Veklury® (remdesivir), Vemlidy®, Viread®, Vosevi®, Yscarta® and Zydelig®. The approval status of Veklury (remdesivir) varies worldwide, and Veklury (remdesivir) is not approved in the United States and is authorized for use under an Emergency Use Authorization (“EUA”). We also sell and distribute authorized generic versions of Epclusa and Harvoni in the United States through our separate subsidiary, Asegua Therapeutics, LLC. In addition, we sell and distribute certain products through our corporate partners under collaborative agreements.
Recent Developments

Remdesivir and Our Ongoing COVID-19 Pandemic Response

Ensuring Broader Access to Remdesivir

- Regulatory approvals and authorizations of remdesivir for the treatment of COVID-19 continue to facilitate broader access to remdesivir. In May 2020, the U.S. Food and Drug Administration ("FDA") issued an EUA for Veklury (remdesivir), an investigational antiviral for the treatment of hospitalized patients with severe COVID-19. The EUA is temporary and does not take the place of the formal new drug application submission, review and approval process. Veklury (remdesivir) has not been approved by FDA for any use. Following FDA’s issuance of the EUA, in May 2020, the Japanese Ministry of Health, Labour and Welfare granted regulatory approval of Veklury (remdesivir) for the treatment of patients with severe COVID-19 under an exceptional approval pathway. In addition, in July 2020, the European Commission granted conditional Marketing Authorization for Veklury (remdesivir) for the treatment of COVID-19, which represents the first approved treatment for COVID-19 in the European Union.

- We completed delivery of our previously announced donation of our initial supply of 1.5 million doses of remdesivir at the end of June 2020. As we transition beyond this donation, we set the pricing of Veklury (remdesivir) at $390 per vial for governments of developed countries and $520 per vial for U.S. private insurance companies and others. To facilitate broad and equitable access, the pricing was set well below the value that we believe it provides to the healthcare system. In the developing world, we have entered into agreements with generic manufacturers to deliver remdesivir at a substantially lower cost.

- In June 2020, we entered into an agreement with the U.S. Department of Health and Human Services ("HHS") to make available for purchase more than 500,000 treatment courses through the end of September 2020, allowing American hospitals to purchase Veklury (remdesivir) in amounts allocated by HHS as identified by state health departments. In July 2020, we entered into an agreement with the European Commission to enable the European Commission to centrally purchase Veklury (remdesivir) over the next few months under the Emergency Support Instrument for allocation to European Union member states and the United Kingdom.

- In order to expand manufacturing production and broadly supply remdesivir, we implemented process refinements to substantially shorten the manufacturing lead time from raw materials to finished product. We have also supplemented internal manufacturing with significant additional capacity from multiple partners in North America, Europe and Asia. We currently expect to have manufactured more than two million remdesivir treatment courses by the end of 2020, and several million more treatment courses in 2021.

Advancing Remdesivir Clinical Development

We made rapid progress in advancing remdesivir as a potential treatment for COVID-19, and during the second quarter of 2020, data were released from several key trials that further enhance the understanding of remdesivir and point to its important role in treating patients with COVID-19.

- In June 2020, we announced the results from the Phase 3 SIMPLE trial evaluating five-day and ten-day dosing durations of remdesivir in hospitalized patients with moderate COVID-19 pneumonia. The study demonstrated that the five-day treatment course resulted in significantly greater clinical improvement versus treatment with standard of care alone. These data corroborate the results from the first Gilead Phase 3 SIMPLE study, announced in April 2020, which demonstrated similar clinical improvements in remdesivir-treated patients with severe symptoms of COVID-19, regardless of whether they received a five-day or ten-day treatment course.

- In April 2020, the U.S. National Institute of Allergy and Infectious Diseases announced that preliminary results from their global, placebo-controlled trial of remdesivir met the primary endpoint, and remdesivir was found to shorten the time to recovery for hospitalized patients with COVID-19 when compared to placebo. In addition, the New England Journal of Medicine published data on 53 patients treated with remdesivir through the compassionate use program, which demonstrated clinical improvement and no new safety signals.

- We have a plan for the next wave of remdesivir clinical development, which will study remdesivir in treating earlier in the disease, in combination with other therapies and in additional patient groups. We announced initiation of a Phase 1a clinical study to evaluate the safety, tolerability and pharmacokinetics of an investigational, inhaled solution of remdesivir in healthy volunteers.

- We also announced our plans for trials using intravenous infusions in outpatient settings such as infusion centers and nursing homes; trials evaluating remdesivir in combination with the JAK inhibitor, baricitinib, and the IL-6 receptor antagonist tocilizumab; and trials including vulnerable patient populations, such as children, pregnant women and patients with end-stage renal disease.
COVID-19 Outlook

The impact of COVID-19 on our business continues to be subject to a high degree of uncertainty given unpredictable dynamics related to the incidence, spread and efforts to treat COVID-19 around the world. However, we are in a strong position due to underlying demand drivers, our level of product differentiation and patient benefit in our core HIV franchise. We expect a gradual recovery in HIV PrEP. In hepatitis C virus (“HCV”), we expect patient starts to re-gain momentum in the third quarter 2020 and beyond. See Risk Factors included in Part II, Item 1A of this Quarterly Report on Form 10-Q for additional information.

Business Highlights

During the second quarter of 2020, we made important strides in advancing work across each of three long-term ambitions laid out in our corporate strategy: (i) to bring 10+ transformative therapies to patients by 2030; (ii) to be the biotech employer and partner of choice; and (iii) to deliver shareholder value in a sustainable and responsible manner. This progress occurred amid challenges posed by the COVID-19 pandemic and an increased focus across the organization on rapidly advancing remdesivir to ensure rapid and broad access for patients, subject to clinical trial outcomes and regulatory approvals.

Corporate Development

We completed an acquisition and entered into several strategic transactions during the quarter to develop a robust immuno-oncology portfolio:

- In April 2020, we completed our acquisition of Forty Seven, Inc. ("Forty Seven"). Pursuant to the acquisition, we gained magrolimab, an investigational monoclonal antibody in clinical development for the treatment of a number of hematological cancers.

- In May 2020, we entered into a transaction to establish a 10-year partnership with Arcus Biosciences, Inc. ("Arcus"). Under the terms of the transaction, which closed in July 2020, we made an upfront payment of $175 million and acquired 6 million additional shares of Arcus’ common stock for $200 million. Arcus is also advancing antibody products that target immune checkpoint receptors, including PD-(L)1 and TIGIT. We have the right to opt-in to all current and future investigational product candidates that emerge from Arcus’ research portfolio for the ten years following the closing of the transaction. Upon our exercise of an option for a program, unless Arcus opts out according to terms of the transaction, the companies will co-develop and share global development costs and will co-commercialize and share profits in the U.S.

- Gilead and Kite Pharma, Inc. ("Kite"), a Gilead company, entered into two additional agreements to further advance our immuno-oncology pipeline: a three-year cancer immunotherapy research collaboration with oNKo-innate to support discovery and development of next-generation drug and engineered cell therapies focused on natural killer cells; and a license and collaboration agreement with Teneobio, Inc. ("Teneobio"), to collaborate on next-generation dual-targeting chimeric antigen receptor ("CAR") T cell therapies in multiple myeloma utilizing Teneobio’s UniAb antibodies.

- In June 2020, we entered into a transaction with Pionyr Immunotherapeutics, Inc. ("Pionyr"), a privately held company pursuing novel biology in the field of immuno-oncology. Subsequently, on July 13, 2020, we closed the transaction and acquired a 49.9% equity interest in Pionyr and an exclusive option to purchase the remainder of Pionyr. Under the terms of the transaction, we will pay $275 million in cash to Pionyr’s shareholders, subject to certain customary adjustments. From the first anniversary of the closing date, we may choose to exercise our option to purchase the remaining equity interest from Pionyr’s current shareholders for a $315 million option exercise fee and up to $1.2 billion in potential future milestone payments upon achievement of certain development and regulatory milestones, in each case subject to certain negotiated adjustments. Pionyr’s Myeloid Tuning™ therapies have the potential to treat patients who currently do not benefit from checkpoint inhibitor therapies.

- In an event subsequent to the second quarter of 2020, in July 2020, we entered into a transaction with Tizona Therapeutics, Inc. ("Tizona"), a privately held company developing cancer immunotherapies. Under the terms of the transaction, we will pay $300 million in cash to Tizona’s shareholders, subject to certain customary adjustments, and we will obtain a 49.9% equity interest in Tizona and an exclusive option to purchase the remainder of Tizona. From the first anniversary of the closing date, we may choose to exercise our option to purchase the remaining equity interest from Tizona’s current shareholders for up to $1.3 billion, including an option fee and potential future milestone payments, in each case subject to certain negotiated adjustments. The transaction is expected to close in the third quarter of 2020, subject to regulatory approvals and other customary closing conditions.

- For additional information regarding these transactions, see Note 6. Acquisition, Collaborations and Other Arrangements of the Notes to Condensed Consolidated Financial Statements included in Part I, Item I of this Quarterly Report on Form 10-Q.
Pipeline Progress
We continued to make progress with our pipeline programs during the second quarter of 2020:

- In oncology, new data were presented at the 2020 American Society of Clinical Oncology Annual Meeting highlighting Kite’s leading cell therapy portfolio and magrolimab, the investigational monoclonal antibody gained through the Forty Seven acquisition. The presentation included new clinical study data evaluating Yescarta in patients with relapsed or refractory indolent non-Hodgkin lymphoma, as well as updated data for magrolimab in combination with azacitidine in patients with myelodysplastic syndrome and patients with acute myeloid leukemia.

- In HIV, new data were presented at the 23rd International AIDS Conference in July. The presentation included new clinical study data for a sustained-delivery subcutaneous formulation of our novel investigational HIV-1 capsid inhibitor lenacapavir, which is being developed as a component of a long-acting treatment regimen in combination with other antivirals for people living with HIV; additional data evaluating the safety and efficacy of Biktarvy as a treatment for HIV in adults aged 65 or older; data from the DISCOVER trial indicating no increase in sexual health risk behavior among those taking Descovy for PrEP or Truvada for PrEP, and an update on our cure research strategy through data on dose-dependent immune responses with vesatolimod, an investigational toll-like receptor 7 (TL7R) agonist.

- In July 2020, Gilead and Galapagos NV (“Galapagos”) announced that the European Medicines Agency’s (“EMA”) Committee for Medicinal Products for Human Use (“CHMP”) adopted a positive opinion for Jyseleca® (filgotinib 200 mg and 100 mg tablets), an investigational, once-daily, oral, selective JAK inhibitor for the treatment of adults with moderate to severe rheumatoid arthritis who have responded inadequately or are intolerant to one or more disease modifying anti-rheumatic drugs. The CHMP positive opinion is a scientific recommendation to the European Commission to grant marketing authorization in Europe.

FDA Approval of Tecartus
FDA has granted accelerated approval to Tecartus the first and only approved CAR T cell therapy for the treatment of adult patients with relapsed or refractory mantle cell lymphoma. The approval of this one-time therapy follows a priority review and FDA Breakthrough Therapy Designation and is based on results of ZUMA-2, a single-arm, open-label study in which 87 percent of patients responded to a single infusion of Tecartus, including 62 percent of patients achieving a complete response. Among patients evaluable for safety, 18 percent experienced Grade 3 or higher cytokine release syndrome and 37 percent experienced Grade 3 or higher neurologic toxicities.

European Cell Therapy Manufacturing Facility
In June 2020, Kite received approval to implement a variation to the Yescarta Marketing Authorization from EMA for end-to-end manufacturing. With this approval, Kite’s European manufacturing facility, which is designed and dedicated to the manufacture of individual cell therapies, is now fully operational.

Board Appointment
In June 2020, Javier Rodriguez, the Chief Executive Officer (“CEO”) of DaVita Inc., joined our Board of Directors. Mr. Rodriguez’s appointment brings the perspective of an active CEO who has deep expertise in the healthcare industry.

Financial Highlights
Total revenues decreased by 10% to $5.1 billion for the second quarter of 2020, compared to $5.7 billion for the same period in 2019, due to lower product sales, which decreased by 10% to $5.1 billion for the second quarter of 2020, compared to $5.6 billion for the same period in 2019. Total product sales for the second quarter of 2020 decreased primarily due to lower sales volume of HCV products due to the COVID-19 pandemic, which led to fewer healthcare provider (“HCP”) visits and screenings, and lower sales of Letairis and Ranexa after generic entries in the first half of 2019. The decreases were also due to approximately $160 million of favorable adjustments for statutory rebates primarily related to HCV and HIV sales recorded in Europe in the second quarter of 2019, which did not reoccur in 2020. The decreases were partially offset by underlying demand growth in the core HIV business, with continued patient uptake of Biktarvy and the increased usage of Descovy for PrEP.

Research and development (“R&D”) expenses increased by 31% to $1.3 billion for the second quarter of 2020, compared to $1.0 billion for the same period in 2019, primarily due to higher clinical trial and manufacturing ramp-up expenses related to remdesivir, partially offset by lower clinical trial expenses from other pipeline programs as a result of our pause or postponement of other clinical trials during the COVID-19 pandemic.

Beginning in the second quarter of 2020, acquired in-process R&D (“IPR&D”) expenses were reported separately from Research and development expenses on our Condensed Consolidated Statements of Operations. Acquired IPR&D expenses increased for the second quarter of 2020 primarily due to a $4.5 billion charge recorded in connection with our acquisition of Forty Seven.
Selling, general and administrative ("SG&A") expenses increased by 13% to $1.2 billion for the second quarter of 2020, compared to $1.1 billion for the same period in 2019, primarily due to a $97 million accrual related to a previously disclosed Department of Justice ("DOJ") investigation, $77 million of expenses associated with our acquisition of Forty Seven and certain remdesivir donations, partially offset by lower operating expenses due to the COVID-19 pandemic.

Net loss attributable to Gilead was $3.3 billion, or $2.66 per diluted share, for the second quarter of 2020, compared to net income attributable to Gilead of $1.9 billion, or $1.47 per diluted share, for the same period in 2019, primarily due to an IPR&D charge of $4.5 billion related to our acquisition of Forty Seven.

As of June 30, 2020, we had $21.2 billion of cash, cash equivalents and marketable debt securities compared to $25.8 billion as of December 31, 2019. During the second quarter of 2020, we generated $2.6 billion in operating cash flow, utilized $4.8 billion primarily related to the acquisition of Forty Seven, paid cash dividends of $856 million and utilized $54 million on repurchases of our common stock.

RESULTS OF OPERATIONS

Total Revenues

The following table summarizes the period-over-period changes in our revenues:

<table>
<thead>
<tr>
<th>Revenues:</th>
<th>Three Months Ended</th>
<th>Six Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>-----------------------------------</td>
<td>-------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>Product sales</td>
<td>$5,067</td>
<td>$5,607</td>
</tr>
<tr>
<td>Royalty, contract and other revenues</td>
<td>76</td>
<td>78</td>
</tr>
<tr>
<td>Total revenues</td>
<td>$5,143</td>
<td>$5,685</td>
</tr>
</tbody>
</table>

Product Sales

For the three months ended June 30, 2020 compared to the three months ended June 30, 2019

Total product sales decreased by 10% to $5.1 billion for the three months ended June 30, 2020, compared to $5.6 billion for the same period in 2019, primarily due to lower sales volume of HCV products due to the COVID-19 pandemic, which led to fewer HCP visits and screenings, and lower sales of Letairis and Ranexa after generic entries in the first half of 2019. The decreases were also due to approximately $160 million of favorable adjustments for statutory rebates primarily related to HCV and HIV sales recorded in Europe in the second quarter of 2019, which did not reoccur in 2020. The decreases were partially offset by underlying demand growth in the core HIV business, with continued patient uptake of Biktarvy and the increased usage of Descovy for PrEP.

HIV product sales decreased by 1% to $4.0 billion for the three months ended June 30, 2020, compared to the same period in 2019 primarily due to lower sales volume of our Truvada (emtricitabine ("FTC") and tenofovir disoproxil fumarate ("TDF"))-based products, the COVID-19 pandemic impact, including lower PrEP demand, driven by reduced initiations and therapy discontinuations due to reduced HCP visits and impact on social dynamic, lower average net selling price in the United States and the reversal, as expected, of the pull forward of revenues into the first quarter of 2020 due to the COVID-19 pandemic. The decreases were also impacted by approximately $70 million of favorable adjustments for statutory rebates in Europe recorded during the three months ended June 30, 2019, which did not reoccur in 2020. The decreases were substantially offset by the continued patient uptake of Biktarvy and Descovy for PrEP.

HCV product sales decreased by 47% to $448 million for the three months ended June 30, 2020, compared to $842 million for the same period in 2019, primarily due to lower sales volume driven by lower patient starts in the United States and Europe attributable to a decrease in HCP visits and screenings due to the COVID-19 pandemic as well as lower average net selling price. The decreases were also impacted by approximately $80 million of favorable adjustments for statutory rebates in Europe recorded during the three months ended June 30, 2019, which did not reoccur in 2020.

Yescarta sales increased by 30% to $156 million for the three months ended June 30, 2020, compared to $120 million for the same period in 2019, primarily due to the continued uptake in Europe.

Other product sales, which include Vemlidy, Viread, Letairis, Ranexa, Zydelig, AmBisome and Cayston, decreased by 23% to $463 million for the three months ended June 30, 2020, compared to $604 million for the same period in 2019, primarily due to the expected declines in sales of Letairis and Ranexa after generic entries in the first half of 2019.
Of our total product sales, 26% and 28% were generated outside the United States for the three months ended June 30, 2020 and 2019, respectively. We faced exposure to movements in foreign currency exchange rates, primarily in the Euro. We used foreign currency exchange contracts to hedge a portion of our foreign currency exposure. Foreign currency exchange, net of hedges, had an unfavorable impact on our product sales of $30 million for the three months ended June 30, 2020, based on a comparison using foreign currency exchange rates from the three months ended June 30, 2019.

Product sales in the United States decreased by 7% to $3.8 billion for the three months ended June 30, 2020, compared to $4.1 billion for the same period in 2019, primarily due to lower sales of Letairis and Ranexa after generic entries in the first half of 2019 and lower sales volume of our HCV products driven by lower patient starts attributable to a decrease in HCP visits and screenings due to the COVID-19 pandemic. Product sales in the United States were also unfavorably impacted by the reversal, as expected, of the pull forward of revenue into the first quarter of 2020 due to the COVID-19 pandemic, primarily related to our HIV products. The decreases were partially offset by HIV treatment demand growth driven by the continued patient uptake of Biktarvy and the increased usage of Descovy for PrEP.

Product sales in Europe decreased by 30% to $724 million for the three months ended June 30, 2020, compared to $1.0 billion for the same period in 2019, primarily due to lower sales volume of our HCV products driven by lower patient starts due to the COVID-19 pandemic. The decrease was also impacted by approximately $160 million of favorable adjustments for statutory rebates recorded during the three months ended June 30, 2019, which did not reoccur in 2020.

Product sales in other locations increased by 12% to $573 million for the three months ended June 30, 2020, compared to $512 million for the same period in 2019, primarily due to higher sales volumes of Epclusa, Biktarvy and Vemlidy, partially offset by lower average net selling price.

For the six months ended June 30, 2020 compared to the six months ended June 30, 2019

Total product sales decreased by 3% to $10.5 billion for the six months ended June 30, 2020, compared to $10.8 billion for the same period in 2019, primarily due to lower sales of Letairis and Ranexa and lower HCV product sales due to lower patient starts attributable to a decrease in HCP visits and screenings due to the COVID-19 pandemic and average net selling price, partially offset by the continued patient uptake of Biktarvy and Descovy for PrEP. The decreases were also impacted by approximately $160 million of favorable adjustments for statutory rebates primarily related to HCV and HIV sales recorded in Europe during the three months ended June 30, 2019, which did not reoccur in 2020.

HIV product sales increased by 6% to $8.1 billion for the six months ended June 30, 2020, compared to $7.7 billion for the same period in 2019, despite the global impacts of the COVID-19 pandemic, primarily due to the underlying strength of our HIV franchise as demonstrated by continued patient uptake of Biktarvy, partially offset by lower sales volume of our Truvada (FTC/TDF)-based products and lower average net selling price. COVID-19 primarily impacted PrEP, driven by reduced initiations and therapy discontinuations, and lesser degree resulted in reduced HIV treatment switches. During the six months ended June 30, 2020, the first quarter 2020 revenue pull forward of our HIV product sales, as expected, was reversed. The increases were partially offset by favorable adjustments for statutory rebates recorded in Europe during the three months ended June 30, 2019, which did not reoccur in 2020.

HCV product sales decreased by 28% to $1.2 billion for the six months ended June 30, 2020, compared to $1.6 billion for the same period in 2019, primarily due to lower sales volume driven by lower patient starts in the United States and Europe attributable to the COVID-19 pandemic and lower average net selling price. The decreases were also impacted by favorable adjustments for statutory rebates recorded in Europe during the three months ended June 30, 2019, which did not reoccur in 2020.

Yescarta sales increased by 37% to $296 million for the six months ended June 30, 2020, compared to $216 million for the same period in 2019, primarily due to the continued uptake in Europe.

Other product sales, which include Vemlidy, Viread, Letairis, Ranexa, Zydelig, AmBisome and Cayston, decreased by 29% to $927 million for the six months ended June 30, 2020, compared to $1.3 billion for the same period in 2019, primarily due to the expected declines in sales of Letairis and Ranexa.

Of our total product sales, 26% and 27% were generated outside the United States for the six months ended June 30, 2020 and 2019, respectively. We faced exposure to movements in foreign currency exchange rates, primarily in the Euro. We used foreign currency exchange contracts to hedge a portion of our foreign currency exposure. Foreign currency exchange, net of hedges, had an unfavorable impact on our product sales of $66 million for the six months ended June 30, 2020, based on a comparison using foreign currency exchange rates from the six months ended June 30, 2019.
Product sales in the United States decreased by 1% to $7.8 billion for the six months ended June 30, 2020, compared to $7.9 billion for the same period in 2019, primarily due to lower sales volume of Letairis and Ranexa and lower sales volume of our HCV products due to lower patient starts attributable to a decrease in HCP visits and screenings due to the COVID-19 pandemic, partially offset by higher sales volume of our HIV products. The increase in sales of our HIV products was primarily driven by the continued patient uptake of Biktarvy and Descovy for PrEP, partially offset by decreases in sales of Truvada (FTC/TDF)-based products.

Product sales in Europe decreased by 14% to $1.7 billion for the six months ended June 30, 2020, compared to $1.9 billion for the same period in 2019, primarily due to a lower sales volume of our HCV products driven by lower patient starts due to COVID-19. The decreases were also impacted by favorable adjustments for statutory rebates recorded during the three months ended June 30, 2019, which did not reoccur in 2020. The decreases were partially offset by the continued patient uptake of Biktarvy and higher sales of Yescarta.

Product sales in other locations increased by 9% to $1.1 billion for the six months ended June 30, 2020, compared to $1.0 billion for the same period in 2019, primarily due to higher sales volumes of Epclusa, Biktarvy and Vemlidy, partially offset by lower average net selling price.

The following table summarizes the period-over-period changes in our product sales:

<table>
<thead>
<tr>
<th>Product</th>
<th>Three Months Ended</th>
<th>Six Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2020</td>
<td>2020</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>Change</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2020</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Atripla</td>
<td>$103</td>
<td>$152</td>
</tr>
<tr>
<td>Biktarvy</td>
<td>1,604</td>
<td>1,116</td>
</tr>
<tr>
<td>Complera/Eviplera</td>
<td>72</td>
<td>123</td>
</tr>
<tr>
<td>Descovy</td>
<td>417</td>
<td>358</td>
</tr>
<tr>
<td>Genvoya</td>
<td>816</td>
<td>980</td>
</tr>
<tr>
<td>Odefsey</td>
<td>382</td>
<td>387</td>
</tr>
<tr>
<td>Stribild</td>
<td>59</td>
<td>108</td>
</tr>
<tr>
<td>Truvada</td>
<td>387</td>
<td>718</td>
</tr>
<tr>
<td>Other HIV(1)</td>
<td>28</td>
<td>15</td>
</tr>
<tr>
<td>Revenue share – Symtuza(2)</td>
<td>132</td>
<td>84</td>
</tr>
<tr>
<td>Total HIV</td>
<td>$4,000</td>
<td>$4,041</td>
</tr>
<tr>
<td>AmBisome</td>
<td>95</td>
<td>105</td>
</tr>
<tr>
<td>Ledipasvir/Sofosbuvir(3)</td>
<td>67</td>
<td>193</td>
</tr>
<tr>
<td>Letairis</td>
<td>80</td>
<td>204</td>
</tr>
<tr>
<td>Ranexa</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td>Sofosbuvir/Velpatasvir(4)</td>
<td>335</td>
<td>493</td>
</tr>
<tr>
<td>Vemlidy</td>
<td>151</td>
<td>116</td>
</tr>
<tr>
<td>Viread</td>
<td>65</td>
<td>75</td>
</tr>
<tr>
<td>Vosevi</td>
<td>39</td>
<td>75</td>
</tr>
<tr>
<td>Yescarta</td>
<td>156</td>
<td>120</td>
</tr>
<tr>
<td>Zydelig</td>
<td>18</td>
<td>26</td>
</tr>
<tr>
<td>Other(5)</td>
<td>60</td>
<td>140</td>
</tr>
<tr>
<td>Total product sales</td>
<td>$5,067</td>
<td>$5,607</td>
</tr>
</tbody>
</table>

(1) Includes Emtriva and Tybost.
(2) Represents our revenue from cobicistat (“C”), emtricitabine (“FTC”) and tenofovir alafenamide (“TAF”) in Symtuza (darunavir/C/FTC/TAF), a fixed dose combination product commercialized by Janssen Sciences Ireland UC.
(3) Amounts consist of sales of Harvoni and the authorized generic version of Harvoni sold by our separate subsidiary, Asegua Therapeutics LLC.
(4) Amounts consist of sales of Epclusa and the authorized generic version of Epclusa sold by our separate subsidiary, Asegua Therapeutics LLC.
(5) Includes Caystn, Hepsera and Sovaldi.
The following is an additional discussion of the sales of our HIV and HCV products:

- **Descovy (“FTC/TAF”) -based products: Biktarvy, Descovy, Genvoya, Odefsey and Revenue Share - Symtuza**

  The following table summarizes the period-over-period changes in our sales of Descovy (FTC/TAF)-based products:

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th></th>
<th>Change</th>
<th>Six Months Ended</th>
<th></th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2020</td>
<td>2020</td>
<td></td>
<td>June 30, 2020</td>
<td>2020</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 2,696</td>
<td>$ 2,323</td>
<td>16%</td>
<td>$ 5,424</td>
<td>$ 4,347</td>
<td>25%</td>
</tr>
<tr>
<td>U.S.</td>
<td>446</td>
<td>459</td>
<td>(3)%</td>
<td>1,004</td>
<td>898</td>
<td>12%</td>
</tr>
<tr>
<td>Europe</td>
<td>209</td>
<td>143</td>
<td>46%</td>
<td>419</td>
<td>293</td>
<td>43%</td>
</tr>
<tr>
<td>Other locations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$ 3,351</td>
<td>$ 2,925</td>
<td>15%</td>
<td>$ 6,847</td>
<td>$ 5,538</td>
<td>24%</td>
</tr>
<tr>
<td>% of total product sales</td>
<td>66%</td>
<td>52%</td>
<td>65%</td>
<td>51%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of HIV product sales</td>
<td>84%</td>
<td>72%</td>
<td>84%</td>
<td>72%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

  Descovy (FTC/TAF)-based product sales in the United States increased for both the three and six months ended June 30, 2020, compared to the same periods in 2019, primarily due to the continued patient uptake of Biktarvy and higher sales volume of Descovy driven by patients switching to Descovy for PrEP from Truvada for PrEP and the increased number of individuals taking PrEP, partially offset by lower sales volume of Genvoya.

  Descovy (FTC/TAF)-based product sales in Europe and other international locations increased for the six months ended June 30, 2020 compared to the same periods in 2019, primarily due to higher sales volume of Biktarvy, partially offset by lower sales volume of Genvoya.

- **Truvada (FTC/TDF)-based products: Atripla, Complera/Evipla, Stribild and Truvada**

  The following table summarizes the period-over-period changes in our sales of Truvada (FTC/TDF)-based products:

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th></th>
<th>Change</th>
<th>Six Months Ended</th>
<th></th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2020</td>
<td>2020</td>
<td></td>
<td>June 30, 2020</td>
<td>2020</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 531</td>
<td>$ 899</td>
<td>(41)%</td>
<td>$ 1,053</td>
<td>$ 1,694</td>
<td>(38)%</td>
</tr>
<tr>
<td>U.S.</td>
<td>65</td>
<td>163</td>
<td>(60)%</td>
<td>144</td>
<td>292</td>
<td>(51)%</td>
</tr>
<tr>
<td>Europe</td>
<td>25</td>
<td>39</td>
<td>(36)%</td>
<td>54</td>
<td>103</td>
<td>(48)%</td>
</tr>
<tr>
<td>Other locations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$ 621</td>
<td>$ 1,101</td>
<td>(44)%</td>
<td>$ 1,251</td>
<td>$ 2,089</td>
<td>(40)%</td>
</tr>
<tr>
<td>% of total product sales</td>
<td>12%</td>
<td>20%</td>
<td>12%</td>
<td>19%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

  Truvada (FTC/TDF)-based product sales in the United States decreased for both the three and six months ended June 30, 2020, compared to the same periods in 2019, primarily due to lower sales volume as a result of patients switching to regimens containing FTC/TAF.

  Truvada (FTC/TDF)-based product sales in Europe decreased for both the three and six months ended June 30, 2020, compared to the same periods in 2019, primarily due to lower sales volume as a result of the broader availability of generic versions of Truvada and Atripla and patients switching to regimens containing FTC/TAF.

- **HCV products: Epclusa, Harvoni, Sovaldi, Vosevi and Authorized Generics of Epclusa and Harvoni**

  The following table summarizes the period-over-period changes in our sales of HCV products:

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th></th>
<th>Change</th>
<th>Six Months Ended</th>
<th></th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2020</td>
<td>2020</td>
<td></td>
<td>June 30, 2020</td>
<td>2020</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 220</td>
<td>$ 355</td>
<td>(38)%</td>
<td>$ 618</td>
<td>$ 748</td>
<td>(17)%</td>
</tr>
<tr>
<td>U.S.</td>
<td>70</td>
<td>277</td>
<td>(75)%</td>
<td>218</td>
<td>480</td>
<td>(55)%</td>
</tr>
<tr>
<td>Europe</td>
<td>158</td>
<td>210</td>
<td>(25)%</td>
<td>341</td>
<td>404</td>
<td>(16)%</td>
</tr>
<tr>
<td>Other locations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$ 448</td>
<td>$ 842</td>
<td>(47)%</td>
<td>$ 1,177</td>
<td>$ 1,632</td>
<td>(28)%</td>
</tr>
<tr>
<td>% of total product sales</td>
<td>9%</td>
<td>15%</td>
<td>11%</td>
<td>15%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

36
HCV product sales in the United States decreased for both the three and six months ended June 30, 2020, compared to the same periods in 2019, primarily due to lower patient starts attributable to a decrease in HCP visits and screenings due to the COVID-19 pandemic and lower average net selling price.

HCV product sales in Europe decreased for both the three and six months ended June 30, 2020, compared to the same periods in 2019, primarily due to lower patient starts attributable to a decrease in HCP visits and screenings due to the COVID-19 pandemic. The decrease was also impacted by favorable net adjustments for statutory rebates during the three months ended June 30, 2019, which did not reoccur in 2020.

HCV product sales in other international locations decreased for both the three and six months ended June 30, 2020, compared to the same periods in 2019, primarily due to lower average net selling price.

Costs and Expenses

The following table summarizes the period-over-period changes in our costs and expenses:

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended June 30</th>
<th>Change</th>
<th>Six Months Ended June 30</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of goods sold</td>
<td>$1,064</td>
<td>$1,000</td>
<td>6 %</td>
<td>$2,033</td>
</tr>
<tr>
<td>Product gross margin</td>
<td>79 %</td>
<td>82 %</td>
<td>31 %</td>
<td>81 %</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>$1,299</td>
<td>$995</td>
<td>31 %</td>
<td>$2,303</td>
</tr>
<tr>
<td>Acquired IPR&amp;D expenses</td>
<td>$4,524</td>
<td>$165</td>
<td>*</td>
<td>$4,621</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>$1,239</td>
<td>$1,095</td>
<td>13 %</td>
<td>$2,315</td>
</tr>
</tbody>
</table>

* Percentage is greater than 100%

Cost of Goods Sold and Product Gross Margin

Cost of goods sold for the three and six months ended June 30, 2020 increased by $64 million and $76 million, or 6% and 4%, respectively, compared to the same periods in 2019, primarily due to higher sales volumes, including the continued patient uptake of Biktarvy, partially offset by lower royalty expenses.

Product gross margin for the three and six months ended June 30, 2020, were 79% and 81%, respectively, and decreased compared to the same periods in 2019, primarily due to overall lower product mix.

Research and Development Expenses

R&D expenses consist primarily of clinical studies performed by contract research organizations, materials and supplies, payments under collaborative and other arrangements, including up-front and milestone payments, licenses and fees, as well as expense reimbursements to the collaboration partners, personnel costs, including salaries, benefits and stock-based compensation expense, and overhead allocations consisting of various support and infrastructure costs.

We do not track total R&D expenses by product candidate, therapeutic area or development phase. However, we manage our R&D expenses by identifying the R&D activities we anticipate will be performed during a given period and then prioritizing efforts based on scientific data, probability of technical and regulatory successful development, market potential, available human and capital resources and other considerations. We continually review our R&D projects based on unmet medical need and, as necessary, reallocate resources among our internal R&D portfolio and external opportunities that we believe will best support the long-term growth of our business.

R&D expenses for the three and six months ended June 30, 2020 increased by $304 million and $377 million, or 31% and 20%, respectively, compared to the same period in 2019, primarily due to higher clinical trial and manufacturing ramp up expenses related to remdesivir, partially offset by lower clinical trial expenses from other pipeline programs as a result of our pause or postponement of other clinical trials during the COVID-19 pandemic.

Acquired IPR&D Expenses

Acquired IPR&D expenses reflect IPR&D impairments as well as the initial costs of externally developed IPR&D projects, acquired directly in a transaction other than a business combination, that do not have an alternative future use, including upfront payments related to various collaborations and the initial costs of rights to IPR&D projects. Beginning in the second quarter of 2020, acquired IPR&D expenses were reported separately from Research and development expenses on our Condensed Consolidated Statements of Operations. IPR&D assets capitalized are tested for impairment in the fourth quarter of each year, or earlier if impairment indicators exist. No IPR&D impairment charges were recorded for the three and six months ended June 30, 2020 and 2019.
Acquired IPR&D expenses increased for the three and six months ended June 30, 2020, compared to the same periods in 2019, primarily due to a $4.5 billion charge recorded in connection with our acquisition of Forty Seven.

**Selling, General and Administrative Expenses**

SG&A expenses relate to sales and marketing, finance, human resources, legal and other administrative activities. Expenses consist primarily of personnel costs, facilities and overhead costs, outside marketing, advertising and legal expenses and other general and administrative costs. SG&A expenses also include the Branded Prescription Drug fee.

SG&A expenses for the three and six months ended June 30, 2020 increased by $144 million and $190 million, or 13% and 9%, respectively, compared to the same periods in 2019, primarily due to a $97 million accrual related to a previously disclosed DOJ investigation, $77 million of expenses associated with our acquisition of Forty Seven and certain remdesivir donations, partially offset by lower operating expenses due to the COVID-19 pandemic.

**Other Income (Expense), Net**

The following table summarizes the period-over-period changes in our Other income (expense), net:

<table>
<thead>
<tr>
<th>(In millions, except percentages)</th>
<th>Three Months Ended June 30,</th>
<th></th>
<th>Six Months Ended June 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
<td>Change</td>
<td>2020</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>$250</td>
<td>$228</td>
<td>10%</td>
<td>$92</td>
</tr>
</tbody>
</table>

The increase in Other income (expense), net for three months ended June 30, 2020, compared to the same period in 2019, was primarily due to the favorable changes in the fair value of investments in our equity securities, partially offset by lower interest income. The decrease in Other income (expense), net for six months ended June 30, 2020, compared to the same period in 2019, was primarily due to the unfavorable changes in the fair value of our equity investment in Galapagos as well as lower interest income.

**Provision for Income Taxes**

The following table summarizes the period-over-period changes in our Provision for income taxes:

<table>
<thead>
<tr>
<th>(In millions, except percentages)</th>
<th>Three Months Ended June 30,</th>
<th></th>
<th>Six Months Ended June 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
<td>Change</td>
<td>2020</td>
</tr>
<tr>
<td>Income (loss) before provision for income taxes</td>
<td>$(2,973)</td>
<td>$2,410</td>
<td>$(5,383)</td>
<td>$(970)</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>$373</td>
<td>$535</td>
<td>$(162)</td>
<td>$838</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>(12.5)%</td>
<td>22.2%</td>
<td>(34.7)%</td>
<td>(86.4)%</td>
</tr>
</tbody>
</table>

Our effective tax rate and provision differed for both the three and six months ended June 30, 2020, compared to the same periods in 2019, primarily due to a non-deductible $4.5 billion IPR&D charge recorded in connection with our acquisition of Forty Seven, without which our effective income tax rate would have been 24.9% and 24.0%, respectively.

**LIQUIDITY AND CAPITAL RESOURCES**

We believe that our existing capital resources, supplemented by our cash flows generated from operating activities, will be adequate to satisfy our capital needs for the foreseeable future.

The following table summarizes our cash, cash equivalents and marketable debt securities and working capital:

<table>
<thead>
<tr>
<th>(In millions)</th>
<th>June 30, 2020</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, cash equivalents and marketable debt securities</td>
<td>$21,190</td>
<td>$25,840</td>
</tr>
<tr>
<td>Working capital</td>
<td>$14,079</td>
<td>$20,537</td>
</tr>
</tbody>
</table>

**Cash, Cash Equivalents and Marketable Debt Securities**

Cash, cash equivalents and marketable debt securities decreased by $4.7 billion, or 18%, compared to December 31, 2019. During the six months ended June 30, 2020, we generated $4.0 billion in operating cash flow, utilized $4.8 billion primarily related to the acquisition of Forty Seven, repaid $500 million of debt, paid cash dividends of $1.7 billion and repurchased 19 million shares of our common stock for $1.4 billion through open market transactions.
Working Capital

Working capital decreased by $6.5 billion, or 31%, compared to December 31, 2019, primarily due to the factors noted above under the heading Cash, Cash Equivalents and Marketable Debt Securities and lower short-term marketable debt securities resulting from a shift in our investment strategy to investing in longer dated securities.

Accounts receivable decreased by $388 million, compared to December 31, 2019, primarily due to lower billings in United States and Europe during the second quarter of 2020 due to the COVID-19 pandemic.

Other accrued liabilities increased by $622 million compared to December 31, 2019, primarily due to a reclassification from long-term income taxes payable for certain tax payments expected to be made within a year.

Cash Flows

The following table summarizes our cash flow activities:

<table>
<thead>
<tr>
<th>(In millions)</th>
<th>Six Months Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
</tr>
<tr>
<td>Cash provided by (used in):</td>
<td></td>
</tr>
<tr>
<td>Operating activities</td>
<td>$4,002</td>
</tr>
<tr>
<td>Investing activities</td>
<td>$(5,367)</td>
</tr>
<tr>
<td>Financing activities</td>
<td>$(3,485)</td>
</tr>
</tbody>
</table>

Cash Provided by Operating Activities

Cash provided by operating activities represents the cash receipts and disbursements related to all activities other than investing and financing activities. Operating cash flow is derived by adjusting our net income for non-cash items and changes in operating assets and liabilities. Cash provided by operating activities increased by $83 million to $4.0 billion for the six months ended June 30, 2020 compared to the same period in 2019. The increase was primarily the result of changes in operating assets and liabilities.

Cash Used in Investing Activities

Cash used in investing activities primarily consists of purchases, sales and maturities of our marketable debt securities, capital expenditures, acquisitions, including IPR&D, net of cash acquired, purchases of equity securities and other investments. Cash used in investing activities decreased compared to the prior year primarily due to higher proceeds from sales and maturities of marketable debt securities, partially offset by $4.8 billion of payments made primarily related to our acquisition of Forty Seven.

Cash Used in Financing Activities

Cash used in financing activities decreased compared to the prior year primarily due to $750 million lower repayments of debt during the six months ended June 30, 2020.

Debt and Credit Facilities

In February 2020, we repaid $500 million of our senior unsecured notes upon maturity that were issued in November 2014.

In June 2020, we terminated our $2.5 billion revolving credit facility maturing in May 2021 (the “2016 Revolving Credit Facility”) and entered into a new $2.5 billion revolving credit facility maturing in June 2025 (the “2020 Revolving Credit Facility”), which had terms substantially similar to the 2016 Revolving Credit Facility. The 2020 Revolving Credit Facility can be used for working capital requirements and for general corporate purposes, including, without limitation, acquisitions. As of June 30, 2020 and December 31, 2019, there were no amounts outstanding under these revolving credit facilities. See Note 9. Debt And Credit Facilities of the Notes to Condensed Consolidated Financial Statements included in Part I, Item I of this Quarterly Report on Form 10-Q for additional information.
CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The preparation of our Condensed Consolidated Financial Statements requires us to make estimates and judgments that affect the reported amounts in the financial statements and related disclosures. On an ongoing basis, we evaluate our significant accounting policies and estimates. We base our estimates on historical experience and on various market-specific and other relevant assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Estimates are assessed each period and updated to reflect current information, such as the economic considerations related to the impact that the recent COVID-19 pandemic could have on our significant accounting estimates. Actual results may differ significantly from these estimates. A summary of our critical accounting policies and estimates is presented in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2019. There were no material changes to our critical accounting policies and estimates during the six months ended June 30, 2020.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 1. Summary Of Significant Accounting Policies of the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risk during the three and six months ended June 30, 2020 compared to the disclosures in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2019.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

An evaluation as of June 30, 2020 was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our “disclosure controls and procedures,” which are defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), as controls and other procedures of a company that are designed to ensure that the information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2020.

Changes in Internal Control over Financial Reporting

Our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated any changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2020, and has concluded that there was no change during such quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met and, as set forth above, our Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by this report, that our disclosure controls and procedures were effective to provide reasonable assurance that the objectives of our disclosure control system were met.
PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

For a description of our significant pending legal proceedings, please see Note 10. Commitments and Contingencies of the Notes to Condensed Consolidated Financial Statements included in Part I, Item I of this Quarterly Report on Form 10-Q.

Item 1A. RISK FACTORS

In evaluating our business, you should carefully consider the following risks in addition to the other information in this Quarterly Report on Form 10-Q. A manifestation of any of the following risks could materially and adversely affect our business, results of operations and financial condition. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. It is not possible to predict or identify all such factors and, therefore, you should not consider the following risks to be a complete statement of all the potential risks or uncertainties that we face.

A substantial portion of our revenues is derived from sales of our HIV products. If we are unable to increase or maintain our HIV sales, then our results of operations may be adversely affected.

We receive a substantial portion of our revenue from sales of our products for the treatment and prevention of HIV infection. During the six months ended June 30, 2020, sales of our HIV products accounted for approximately 77% of our total product sales, and our HIV products account for a higher percentage of our total product sales in 2020 than in 2019. Most of our HIV products contain tenofovir alafenamide (“TAF”), tenofovir disoproxil fumarate (“TDF”) and/or emtricitabine (“FTC”), which belong to the nucleoside class of antiviral therapeutics. If the treatment paradigm for HIV changes, causing nucleoside-based therapeutics to fall out of favor, or if we are unable to maintain or increase our HIV product sales, our results of operations would likely suffer and we would likely need to scale back our operations, including our future drug development and spending on research and development (“R&D”) efforts.

In addition, future sales of our HIV products depend, in part, on the extent of reimbursement of our products by private and public payers. We may continue to experience global pricing pressure that could result in larger discounts or rebates on our products or delayed reimbursement, which negatively impacts our product sales and results of operations. Also, private and public payers may choose to exclude our products from their formulary coverage lists or limit the types of patients for whom coverage will be provided, which would negatively impact the demand for, and revenues of, our products. Any change in the formulary coverage, reimbursement levels or discounts or rebates offered on our products to payers may impact our anticipated revenues. If we are unable to achieve our forecasted HIV sales, our stock price could be adversely impacted.

We may be unable to sustain or increase sales of our HIV products for any number of reasons including, but not limited to, the reasons discussed above and the following:

- As our products are used over a longer period of time in many patients and in combination with other products, and additional studies are conducted, new issues with respect to safety, resistance and interactions with other drugs may arise, which could cause us to provide additional warnings or contraindications on our labels, narrow our approved indications or halt sales of a product, each of which could reduce our revenues.
- As our products mature, private insurers and government payers often reduce the amount they will reimburse patients for these products, which increases pressure on us to reduce prices.
- If physicians do not see the benefit of our HIV products, the sales of our HIV products will be limited.
- As new branded or generic products are introduced into major markets, our ability to maintain pricing and market share may be affected.
If we fail to develop and commercialize new products or expand the indications for existing products, our prospects for future revenues and our results of operations may be adversely affected.

The success of our business depends on our ability to introduce new products as well as expand the indications for our existing products to address areas of unmet medical need. The launch of commercially successful products is necessary to cover our substantial R&D expenses and to offset revenue losses when our existing products lose market share due to various factors such as competition and loss of patent exclusivity, as well as to provide for the growth of our business. There are many difficulties and uncertainties inherent in drug development and the introduction of new products. The product development cycle is characterized by significant investments of resources, long lead times and unpredictable outcomes due to the nature of developing medicines for human use. We expend significant time and resources on our product pipeline without any assurance that we will recoup our investments or that our efforts will be commercially successful. A high rate of failure is inherent in the discovery and development of new products, and failure can occur at any point in the process, including late in the process after substantial investment. For example, see “We face risks in our clinical trials, including the potential for unfavorable results, delays in anticipated timelines and disruption, which may adversely affect our prospects for future revenue growth and our results of operations.” We could also face risks with our marketing applications. We have filed a New Drug Application (“NDA”) with the U.S. Food and Drug Administration (“FDA”) and a Marketing Authorization Application (“MAA”) with the European Medicines Agency (“EMA”) for filgotinib for the treatment of rheumatoid arthritis, and we have filed a MAA with the EMA for KTE-X19 for the treatment of relapsed or refractory mantle cell lymphoma. These and any future marketing applications we file may not be approved by the regulatory authorities on a timely basis, or at all. Even if marketing approval is granted for these products, there may be significant limitations on their use. We cannot state with certainty when or whether any of our product candidates under development will be approved or launched; whether we will be able to develop, license or acquire additional product candidates or products; or whether any products, once launched, will be commercially successful. Failure to launch commercially successful new products or new indications for existing products could have a material adverse effect on our future revenues, results of operations and long-term success.

Our business has been, and may in the future be, adversely affected by outbreaks of epidemic, pandemic or contagious diseases, including the recent coronavirus disease 2019 (“COVID-19”) outbreak.

Actual or threatened outbreaks of epidemic, pandemic or contagious diseases, such as COVID-19, may significantly disrupt our global operations and adversely affect our business, financial condition and results of operations. In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic, and COVID-19 continues to spread throughout the world. The spread of this pandemic has caused significant volatility and uncertainty in U.S. and international markets and has resulted in increased risks to our operations. In addition to the developments discussed in Part I, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” we are monitoring a number of risks related to this pandemic, including the following:

- **Supply Chain:** While to date we have not experienced significant disruptions in our supply chain and distribution, an extended duration of this pandemic could result in disruptions in the future. For example, quarantines, shelter-in-place and other governmental orders and policies, travel restrictions, airline capacity and route reductions, safety guidelines and health impacts of the COVID-19 pandemic, could impact the availability or productivity of products and personnel at third-party manufacturers, distributors, freight carriers and other necessary components of our supply chain. In addition, there may be unfavorable changes in the availability or cost of raw materials, intermediates and other materials necessary for production, which may result in disruptions in our supply chain and adversely affect our ability to distribute certain of our products or product candidates for commercial or clinical supply.

- **Clinical Trials:** This pandemic has adversely affected and may continue to adversely affect certain of our clinical trials, including our ability to initiate and complete our clinical trials within the anticipated timelines. Due to site and participant availability during the pandemic and in the interest of patient safety, we have paused new subject enrollment for most clinical trials, and although we have restarted enrollment at certain sites, there is a risk that re-closures may be necessary, which may result in overall delays. For ongoing trials, we have seen an increasing number of clinical trial sites imposing restrictions on patient visits to limit risks of possible COVID-19 exposure, and we may experience issues with participant compliance with clinical trial protocols as a result of quarantines, travel restrictions and interruptions to healthcare services. There is also the risk of biased data collection if only certain clinical trial sites remain open. The current pressures on medical systems and the prioritization of healthcare resources toward the COVID-19 pandemic have also resulted in interruptions in data collection and submissions for certain clinical trials and delayed starts for certain planned studies. As a result, our anticipated filing and marketing timelines may be adversely impacted.
• Regulatory Reviews: The operations of FDA, EMA or other regulatory agencies may be adversely affected. There is the possibility that we may experience delays with our NDA and MAA for filgotinib for the treatment of rheumatoid arthritis filed with FDA and EMA and our MAA for KTE-X19 for the treatment of relapsed or refractory mantle cell lymphoma filed with EMA. We may also experience delays in necessary interactions with regulatory authorities around the world, including with respect to any anticipated filings. Our ability to launch new commercial products may be impacted by any such delays and other factors resulting from the pandemic, such as adverse market conditions.

• Patient Access: This pandemic has limited patients’ ability or willingness to access and seek care from healthcare providers and initiate new therapies, which has resulted in lower demand for our products, particularly with respect to HIV prevention and hepatitis C virus (“HCV”) treatment, and which may also adversely impact our other businesses, including HIV treatment and cell therapy, during the pandemic. For example, the U.S Department of Health and Human Services (“HHS”) issued interim guidance recommending the delay of HIV regimen switches during the COVID-19 pandemic until close healthcare follow-up and monitoring are possible, and we have observed reductions in initiations and lower switch volume for our HIV products. We have also seen a reduction in prescription refills for HIV prevention as a result of higher discontinuations. In cell therapy, patients could experience reduced access to authorized treatment centers and delayed or canceled CAR T therapies. In addition, with the rising unemployment, we have started to see a shift in payer mix towards more government-funded coverage and the uninsured segment, which could result in lower revenues.

• Employees: We face risks related to the health, safety, morale and productivity of our employees, including the safe occupancy of our sites during the pandemic. Currently, most Gilead sites are requiring flexible location employees to work from home while physical location dependent workers and mixed location workers may need to work on Gilead sites. Although we have implemented site enhancements and risk protocols, including health screenings and COVID-19 testing, there is no assurance that we can maintain the safe occupancy of our sites. On-site employees testing positive for COVID-19 could lead to mandatory quarantines and potential site shutdowns, which may adversely affect our business operations.

• Financial: This pandemic has had and may continue to have an adverse financial impact in the short-term and potentially beyond. As a result of reduced patient access and a shift in payer mix, we had lower revenues in the second quarter of 2020, particularly with respect to our HCV and HIV prevention business, and we may continue to experience lower revenues the remainder of the year. We also had higher research and development expenses in the second quarter of 2020, primarily related to our continued investment in remdesivir, which we expect will continue through 2021 and beyond, subject to clinical data and regulatory outcomes, and we could have additional unexpected expenses related to the pandemic, which may require us to prioritize our investments. The short-term revenue and expense variations, as well as the overall uncertainty and disruption caused by the pandemic, could result in increased volatility and decreased predictability in our results of operations as well as volatility in our working capital, including the possibility of an increase in the days sales outstanding as accounts receivable.

The foregoing risks have had or may have an adverse effect on our overall business, financial condition, results of operations and our stock price. Additionally, the ongoing COVID-19 pandemic may also affect our operating and financial results in a manner that is not presently known to us or that we currently do not consider as significant risks to our operations. This pandemic may also amplify many of the other risks described throughout the “Risk Factors” section of this Quarterly Report on Form 10-Q. Any resulting financial impact cannot be reasonably estimated at this time. The extent to which the COVID-19 pandemic impacts our business and results will depend on future developments, which are uncertain and cannot be predicted with confidence, including the duration and scope of the outbreak, any potential future waves of the pandemic, new information which may emerge concerning the severity of COVID-19 and the ongoing and future actions to contain it or treat its impact, among others.
We face risks related to the development, manufacturing and distribution of remdesivir as a treatment for COVID-19, which has not been approved by FDA and has not been demonstrated to be safe or effective for any use.

In response to the recent global outbreak of COVID-19, we are pursuing the rapid development, manufacturing and distribution of the investigational antiviral remdesivir as a potential treatment for COVID-19. In May 2020, FDA granted emergency use authorization of remdesivir for the treatment of hospitalized patients with severe COVID-19 disease based on available data. The authorization is temporary and does not take the place of the formal NDA submission, review and approval process. While there are multiple ongoing clinical trials to evaluate the safety clinical profile and the efficacy of remdesivir, there is no assurance of favorable results from any ongoing or future clinical trials, or that one or more of such trials will be completed in the currently anticipated timelines or at all. It is also possible that FDA and other regulatory authorities may not approve remdesivir for the treatment of COVID-19, or that any marketing approvals, if granted, may have significant limitations on its use. Further, we may make a strategic decision to discontinue development of remdesivir, including in the event that other parties are successful in developing a more effective treatment for COVID-19. As a result, we may never successfully commercialize remdesivir. The intense public interest, including speculation by the media, in the development of remdesivir has caused significant volatility in our stock price, which we expect to continue as data and other information from the ongoing clinical trials as well as any regulatory actions become public.

We also face risks related to our significant investment in the development, supply, allocation, distribution, pricing and commercialization of remdesivir. Given the severity and urgency of the COVID-19 pandemic, we have committed significant capital and resources to fund and supply clinical trials and to accelerate and scale up the production of remdesivir, which involves a complex manufacturing process that is both resource- and time-sensitive. By the end of 2020, we expect our investment in the development and manufacture of remdesivir to exceed $1 billion, and expect our investment will continue through 2021 and beyond, although the magnitude of our investment will be subject to clinical data results, the duration of the pandemic and other factors, including regulatory outcomes. If the clinical trials fail to demonstrate the clinical safety profile or the efficacy of remdesivir for the treatment of COVID-19, or if we are unable to obtain regulatory approvals, or if we make a strategic decision to discontinue development of remdesivir or are otherwise not successful in the commercialization of remdesivir, we will be unable to recoup our significant expenses incurred to date and in the future related to the development and production of remdesivir. In addition, if we are unable to sufficiently scale up the production of remdesivir, we may be unable to meet global supply needs in the future. We also face challenges related to the allocation of existing and future supply of remdesivir, particularly with respect to geographic distribution. As supplies of remdesivir remain constrained in the near term, it is possible that the U.S. federal government may limit or restrict our ability to distribute and commercialize remdesivir outside of the United States. For example, in June 2020, we entered into an agreement with the HHS to make available for purchase more than 500,000 treatment courses through the end of September 2020, allowing American hospitals to purchase Veklury (remdesivir) in amounts allocated by HHS as identified by state health departments. However, there is no assurance that this reserved allocation will actually be purchased. In addition, as a result of the emergency situations in many countries, there is a heightened risk that remdesivir may be subject to adverse governmental actions in certain countries, including intellectual property expropriation, intellectual property challenges, compulsory licenses, strict price controls or other actions. Such actions may limit our ability to recoup our significant current and future expenses. Further, given that COVID-19 has been designated as a pandemic and represents an urgent public health crisis, and given that there is no assurance that we will be able to meet global supply needs for remdesivir, we have observed and are likely to continue to face significant public attention and scrutiny over the complex decisions made regarding the allocation, business models and pricing decisions with respect to remdesivir. If we are unable to successfully manage these risks, we could face significant reputational harm, which could negatively affect our stock price.

Our inability to accurately predict demand for our products and fluctuations in purchasing patterns or wholesaler inventories makes it difficult for us to accurately forecast sales and may cause our forecasted revenues and earnings to fluctuate, which could adversely affect our financial results and stock price.

We may be unable to accurately predict demand for our products, including the uptake of new products, as demand depends on a number of factors. For example, the non-retail sector in the United States, which includes government institutions, including state AIDS Drug Assistance Programs ("ADAPs"), the U.S. Department of Veterans Affairs, correctional facilities and large health maintenance organizations, tends to be less consistent in terms of buying patterns and often causes quarter-over-quarter fluctuations that do not necessarily mirror patient demand for our products. Federal and state budget pressures, as well as the annual grant cycles for federal and state funds, may cause purchasing patterns to not reflect patient demand for our products. We expect to continue to experience fluctuations in the purchasing patterns of our non-retail customers, which may result in fluctuations in our product sales, revenues and earnings in the future. In light of the budget crises faced by many European countries, we have observed variations in purchasing patterns induced by cost containment measures in Europe. We believe these measures have caused some government agencies and other purchasers to reduce inventory of our products in the distribution channels, which has decreased our revenues and caused fluctuations in our product sales and earnings. We may continue to see this trend in the future.
We sell and distribute most of our products in the United States exclusively through the wholesale channel. During the six months ended June 30, 2020, approximately 92% of our product sales in the United States were to three wholesalers, AmerisourceBergen Corporation, Cardinal Health, Inc. and McKesson Corporation. The U.S. wholesalers with whom we have entered into inventory management agreements make estimates to determine end user demand and may not be completely effective in matching their inventory levels to actual end user demand. As a result, changes in inventory levels held by those wholesalers can cause our operating results to fluctuate unexpectedly if our sales to these wholesalers do not match end user demand. In addition, inventory is held at retail pharmacies and other non-wholesaler locations with whom we have no inventory management agreements and no control over buying patterns. Adverse changes in economic conditions, increased competition or other factors may cause retail pharmacies to reduce their inventories of our products, which would reduce their orders from wholesalers and, consequently, the wholesalers’ orders from us, even if end user demand has not changed. In addition, we have observed that strong wholesaler and sub-wholesaler purchases of our products in the fourth quarter typically results in inventory draw-down by wholesalers and sub-wholesalers in the subsequent first quarter. As inventory in the distribution channel fluctuates from quarter to quarter, we may continue to see fluctuations in our earnings and a mismatch between prescription demand for our products and our revenues.

We face significant competition.

We face significant competition from global pharmaceutical and biotechnology companies, specialized pharmaceutical firms and generic drug manufacturers. Our products compete with other available products based primarily on efficacy, safety, tolerability, acceptance by doctors, ease of patient compliance, ease of use, price, insurance and other reimbursement coverage, distribution and marketing.

Our TAF-containing HIV products compete primarily with products from ViiV Healthcare Company (“ViiV”). We also face competition from generic HIV products. Generic versions of efavirenz, a component of Atripla, are available in the United States, Canada and Europe. We have observed some pricing pressure related to the efavirenz component of our Atripla sales. TDF, one of the active pharmaceutical ingredients in Truvada, Atripla, Complera/Eviplera and Stribild, faces generic competition in the European Union, the United States and certain other countries. In addition, because FTC, the other active pharmaceutical ingredient of Truvada, faces generic competition in the European Union, Truvada also faces generic competition in the European Union and certain other countries outside of the United States. Pursuant to a settlement agreement relating to patents that protect Truvada and Atripla, Teva Pharmaceuticals is permitted to launch generic fixed-dose combinations of FTC and TDF and generic fixed-dose combinations of FTC, TDF and efavirenz in the United States on September 30, 2020.

Our HCV products compete primarily with products marketed by AbbVie Inc. and Merck & Co., Inc.

Our hepatitis B virus (“HBV”) products face competition from existing therapies for treating patients with HBV as well as generic versions of TDF. Our HBV products also compete with products marketed by Bristol-Myers Squibb Company and Novartis Pharmaceuticals Corporation (“Novartis”).

Yescarta competes with a CAR T cell therapy marketed by Novartis and a non-CAR T product marketed by Roche and is expected to compete with products from other companies developing advanced T cell therapies. Yescarta and other commercial products also face competition from certain clinical trials that are enrolling CAR T eligible patients.

In addition, a number of companies are pursuing the development of technologies which are competitive with our existing products or research programs. These competing companies include specialized pharmaceutical firms and large pharmaceutical companies acting either independently or together with other pharmaceutical companies. Furthermore, academic institutions, government agencies and other public and private organizations conducting research may seek patent protection and may establish collaborative arrangements for competitive products or programs. If any of these competitors gain market share as a result of new technologies, commercialization strategies or otherwise, it could adversely affect our results of operations and stock price.

We may be required to pay significant damages and royalty payments as a result of ongoing litigation related to Yescarta and Biktarvy.

Adverse outcomes in ongoing litigation related to our Yescarta and Biktarvy products could require us to pay significant monetary damages and royalty payments for past and future sales. We cannot predict the ultimate outcome of these litigation matters, but the timing and magnitude of any such payments could have a material adverse impact on our results of operations, financial condition and stock price.
In October 2017, Juno Therapeutics, Inc. and Sloan Kettering Cancer Center (collectively, “Juno”) filed a lawsuit against us in the U.S. District Court for the Central District of California alleging that the commercialization of axicabtagene ciloleucel, sold commercially as Yescarta, infringes on U.S. Patent No. 7,446,190 (the “‘190 patent”). A jury trial was held on the ‘190 patent, and in December 2019, the jury found that the asserted claims of the ‘190 patent were valid, and that we willfully infringed the asserted claims of the ‘190 patent. The jury also awarded Juno damages in amounts of $585 million in an up-front payment and a 27.6% running royalty from October 2017 through the date of the jury’s verdict. The parties filed post-trial motions in the first quarter of 2020, and the trial judge entered a judgment in April 2020. The trial judge affirmed the jury’s verdict, enhanced the past damages by 50% and maintained the royalties on future Yescarta sales at 27.6%.

If the judgment is reversed on appeal, the loss will be zero. If the judgment is upheld in its entirety on appeal, we estimate a loss through the second quarter of 2020 to be approximately $1.3 billion, which consists of (i) approximately $811 million, which represents damages on Yescarta revenues through December 12, 2019, and prejudgment interest thereon, (ii) approximately $389 million, which represents a 50% enhancement of past damages and (iii) approximately $88 million for royalties and prejudgment interest on Yescarta revenues from December 13, 2019 to June 30, 2020. Although we cannot predict with certainty the ultimate outcome of this litigation, we believe the jury’s verdict and the judgment to be in error. In April 2020, we filed an appeal seeking to reverse the judgment or obtain a new trial due to errors made by the trial judge. If the judgment is upheld on appeal, the amount we could be required to pay to Juno could be significant, and such payment could have a material adverse impact on our results of operations, financial condition and stock price.

In February 2018, ViiV filed a lawsuit against us in the U.S. District Court of Delaware, alleging that the commercialization of bictegravir, sold commercially in combination with TAF and FTC as Biktarvy, infringes on ViiV’s U.S. Patent No. 8,129,385 (the “‘385 patent”), covering ViiV’s dolutegravir. Bictegravir is structurally different from dolutegravir, and we believe that bictegravir does not infringe the claims of the ‘385 patent. To the extent that ViiV’s patent claims are interpreted to cover bictegravir, we believe those claims are invalid. The court has set a trial date of September 2020 for this lawsuit. For more information about this litigation, as well as related litigation in countries outside of the United States, see Note 10. Commitments and Contingencies of the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. Although we cannot predict with certainty the ultimate outcome of this litigation, an adverse judgment could result in significant monetary damages and royalty payments on past and future sales, which could have a material impact on our results of operations, financial condition and stock price.

Our results of operations may be adversely affected by current and potential future healthcare legislative and regulatory actions.

Legislative and regulatory actions affecting government prescription drug procurement and reimbursement programs occur relatively frequently. In the United States, the Affordable Care Act (“ACA”) was enacted in 2010 to expand healthcare coverage. Since then, numerous efforts have been made to repeal, amend or administratively limit the ACA in whole or in part. For example, in December 2019, the U.S. Court of Appeals for the Fifth Circuit held that the individual health insurance mandate in the ACA is unconstitutional and remanded the case back to the district court to determine whether the other provisions of the ACA can stand without the individual health insurance mandate. The ongoing challenges to the ACA and new legislative proposals have resulted in uncertainty regarding the ACA’s future viability and destabilization of the health insurance market. The resulting impact on our business is uncertain and could be material.

Efforts to control prescription drug prices could also have a material adverse effect on our business. For example, in July 2020, President Trump announced executive orders intended to lower drug prices. Each of these executive orders will require rulemaking or satisfaction of other requirements before they can be implemented. The orders instruct the HHS to take actions relating to, among other things: the exclusion of rebates negotiated with pharmacy benefit managers on behalf of Medicare Part D and Medicaid Managed Care plans from safe harbor protections under the anti-kickback statute, but only if such a change would not increase federal spending, Medicare beneficiary premiums, or patient out-of-pocket costs; and the finalization of rulemaking to permit states to develop safe importation plans for certain prescription drugs. One of the orders would require Medicare to pay the same price for Medicare Part B drugs that other countries pay, unless the pharmaceutical industry is able to negotiate an alternative with the Trump administration. In addition, FDA is reviewing public comments on the agency's proposal from December 2019 to implement two pathways for the legal importation of certain prescription drugs from Canada and prescription drugs that are FDA-approved, manufactured abroad, authorized for sale in a foreign country and originally intended for sale in that foreign country. Among other pharmaceutical manufacturer industry-related proposals, Congress has proposed bills to change the Medicare Part D benefit to impose an inflation-based rebate in Medicare Part D when list prices for drugs grow faster than inflation and to alter the benefit structure to increase manufacturer contributions in some or all benefit phases. The volume of drug pricing-related bills has dramatically increased under the current Congress, and the resulting impact on our business is uncertain and could be material.
In addition, a majority of states have enacted legislation that seeks to indirectly or directly regulate pharmaceutical drug pricing, such as by requiring biopharmaceutical manufacturers to publicly report proprietary pricing information or creating review boards for recommending price caps or other means for controlling prices of pharmaceutical products purchased by state agencies. For example, in 2017, California’s governor signed a prescription drug price transparency state bill into law, requiring prescription drug manufacturers to provide advance notice and explanation for price increases of certain drugs that exceed a specified threshold. Many other states have proposed or enacted similar legislation. In addition, many state legislatures are considering, or have already passed, various bills that would reform drug purchasing and price negotiations, facilitate the import of lower-priced drugs from outside the United States, and encourage the use of generic drugs. Such initiatives and legislation may cause added pricing pressures on our products.

Changes to the Medicaid program at the federal or state level could also have a material adverse effect on our business. Proposals that could impact coverage and reimbursement of our products, including giving states more flexibility to manage drugs covered under the Medicaid program, could have a material adverse effect by limiting our products’ use and coverage. Furthermore, state Medicaid programs could request additional supplemental rebates on our products for many reasons. To the extent that private insurers or managed care programs follow Medicaid coverage and payment developments, they could use the enactment of these increased rebates to exert pricing pressure on our products, and the adverse effects may be magnified by their adoption of lower payment schedules.

Other proposed regulatory actions affecting manufacturers could have a material adverse effect on our business. It is difficult to predict the impact, if any, of any such proposed legislative and regulatory actions or resulting state actions on the use and reimbursement of our products in the United States, but such actions may adversely affect our results of operations.

Many countries outside the United States, including the European Union member states, have established complex and lengthy procedures to obtain price approvals, coverage and reimbursement. Many European Union member states review periodically their decisions concerning the pricing and reimbursement of medicinal products. The outcome of this review cannot be predicted and could have an adverse effect on the pricing and reimbursement of our medicinal products in the European Union member states. Reductions in the pricing of our medicinal products in one member state could affect the price in other member states and have a negative impact on our financial results.

Our existing products are subject to reimbursement from government agencies and other third parties, and we may be required to provide rebates and other discounts on our products, which may result in an adjustment to our product revenues. Pharmaceutical pricing and reimbursement pressures may adversely affect our profitability and our results of operations.

Successful commercialization of our products depends, in part, on the availability of governmental and third-party payer reimbursement for the cost of such products and related treatments in the markets where we sell our products. Government health authorities, private health insurers and other organizations generally provide reimbursement. In the United States, the European Union and other significant or potentially significant markets for our products and product candidates, government authorities and third-party payers are increasingly attempting to limit or regulate the price of medical products and services. A substantial portion of our product sales is subject to significant discounts from list price, including rebates that we may be required to pay certain governmental agencies. In addition, standard reimbursement structures may not adequately reimburse for innovative therapies.

For example, for fiscal year 2020, the Centers for Medicare and Medicaid Services (“CMS”) has established Medicare inpatient reimbursement for Yescarta that includes payment for a severity adjusted diagnosis related group (“DRG”) 016, a new technology add-on payment (“NTAP”) for Yescarta that at most will cover 65% of the cost of Yescarta and may cover less than that, and, in some cases, an outlier payment. Taken together, the total payment may not be sufficient to reimburse hospitals for their cost of care for patients receiving Yescarta. CMS also has not made a decision as to how much it will pay for Yescarta in fiscal year 2021 and beyond. If Medicare does not adequately reimburse for the cost of Yescarta, this could impact the willingness of some hospitals to offer the therapy and of doctors to recommend the therapy and could lessen the attractiveness of our therapy to patients, which could have an adverse effect on sales of Yescarta and on our results of operations. Additionally, in the European Union, there are barriers to reimbursement in individual countries that could limit the uptake of Yescarta.

In addition, we estimate the rebates we will be required to pay in connection with sales during a particular quarter based on claims data from prior quarters. In the United States, actual rebate claims are typically made by payers one to three quarters in arrears. Actual claims and payments may vary significantly from our estimates which can cause an adjustment to our product revenues. To the extent our actual or anticipated product revenues fall short of investors’ expectations, our stock price could be adversely impacted.

For more information concerning the European Union pricing and reimbursement regime, please see “Our results of operations may be adversely affected by current and potential future healthcare legislative and regulatory actions.”
Laws and regulations applicable to the health care industry could impose new obligations on us, require us to change our business practices and restrict our operations in the future.

The health care industry is subject to various federal, state and international laws and regulations pertaining to drug reimbursement, rebates, price reporting, health care fraud and abuse, and data privacy and security. In the United States, these laws include anti-kickback and false claims laws, laws and regulations relating to the Medicare and Medicaid programs and other federal and state programs, the Medicaid Rebate Statute, individual state laws relating to pricing and sales and marketing practices, the Health Insurance Portability and Accountability Act (“HIPAA”) and other federal and state laws relating to the privacy and security of health information.

Violations of these laws or any related regulations may be punishable by criminal and/or civil sanctions, including, in some instances, substantial fines, civil monetary penalties, exclusion from participation in federal and state health care programs, including Medicare, Medicaid, Veterans Administration health programs, and federal employee health benefit programs, actions against executives overseeing our business and significant remediation measures. In addition, these laws and regulations are broad in scope and are subject to change and evolving interpretations, which could require us to incur substantial costs associated with compliance or to alter one or more of our sales or marketing practices. Violations of these laws, or allegations of such violations, could also result in negative publicity or other consequences that could harm our reputation, disrupt our business or adversely affect our results of operations. If any or all of these events occur, our business and stock price could be materially and adversely affected.

There continues to be enhanced scrutiny of company-sponsored patient assistance programs, including co-pay assistance programs, and manufacturer donations to third-party charities that provide such assistance. There has also been enhanced scrutiny by governments on reimbursement support offerings, clinical education programs and promotional speaker programs. If we, or our agents and vendors, are deemed to have failed to comply with laws, regulations or government guidance in any of these areas, we could be subject to criminal or civil sanctions. Any similar violations by our competitors could also negatively impact our industry reputation and increase scrutiny over our business and our products.

In addition, government price reporting and payment regulations are complex and we are continually assessing the methods by which we calculate and report pricing in accordance with these obligations. Our methodologies for calculations are inherently subjective and may be subject to review and challenge by various government agencies, which may disagree with our interpretation. If the government disagrees with our reported calculations, we may need to restate previously reported data and could be subject to additional financial and legal liability as described above.

For a description of our government investigations and related litigation, see Note 10. Commitments and Contingencies of the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Yescarta, a chimeric antigen receptor (“CAR”) T cell therapy, represents a novel approach to cancer treatment that creates significant challenges for us, which may impact our ability to increase sales of Yescarta.

Yescarta, a CAR T cell therapy, involves (i) harvesting T cells from the patient’s blood, (ii) engineering T cells to express cancer-specific receptors, (iii) increasing the number of engineered T cells and (iv) infusing the functional cancer-specific T cells back into the patient. Advancing this novel and personalized therapy creates significant challenges, including:

- educating and certifying medical personnel regarding the procedures and the potential side effect profile of our therapy, such as the potential adverse side effects related to cytokine release syndrome and neurologic toxicities, in compliance with the Risk Evaluation and Mitigation Strategy program required by FDA for Yescarta;
- using medicines to manage adverse side effects of our therapy, such as tocilizumab and corticosteroids, which may not be available in sufficient quantities, may not adequately control the side effects and/or may have a detrimental impact on the efficacy of the treatment;
- developing a robust and reliable process, while limiting contamination risks, for engineering a patient’s T cells ex vivo and infusing the engineered T cells back into the patient; and
- conditioning patients with chemotherapy in advance of administering our therapy, which may increase the risk of adverse side effects.

The use of engineered T cells as a potential cancer treatment is a recent development and may not be broadly accepted by physicians, patients, hospitals, cancer treatment centers, payers and others in the medical community. We may not be able to demonstrate to the medical community and payers the potential advantages of Yescarta compared to existing and future therapeutics. For challenges related to the reimbursement of Yescarta, see also “Our existing products are subject to reimbursement from government agencies and other third parties, and we may be required to provide rebates and other discounts on our products, which may result in an adjustment to our product revenues. Pharmaceutical pricing and reimbursement pressures may adversely affect our profitability and our results of operations.” If we fail to overcome these significant challenges, our sales of Yescarta, results of operations and stock price could be adversely affected.
We have engaged in, and may in the future engage in, business acquisitions, licensing arrangements, collaborations, options, equity investments, disposals of our assets and other strategic transactions, which could cause us to incur significant expenses and could adversely affect our financial condition and results of operations.

We have engaged in, and may in the future engage in, business acquisitions, such as our recent acquisition of Forty Seven, Inc., licensing arrangements, collaborations, options, equity investments, disposals of our assets and other transactions, as part of our business strategy. We may not identify suitable transactions in the future and, if we do, we may not complete such transactions in a timely manner, on a cost-effective basis, or at all, and may not realize the expected benefits. For example, if we are successful in making an acquisition, the products, intellectual property and technologies that are acquired may not be successful or may require significantly greater resources and investments than originally anticipated. We also may not be able to integrate acquisitions successfully into our existing business and could incur or assume significant debt and unknown or contingent liabilities. For option structured deals, there is no assurance that we will elect to exercise our option right, and it is possible that disagreements, uncertainties or other circumstances may arise, including with respect to whether our option has been appropriately triggered, which may hinder our ability to realize the expected benefits. For equity investments in our strategic transactions, such as in connection with our collaboration with Galapagos NV, the value of our equity investments may fluctuate and decline in value. Further, we conduct annual impairment testing of our goodwill and other indefinite-lived intangible assets in the fourth quarter, and earlier if impairment indicators exist, as required under U.S. generally accepted accounting principles, which may result in impairment charges. For example, during the fourth quarter of 2019 and 2018, we recognized $800 million and $820 million, respectively, of impairment charges related to indefinite-lived intangible assets acquired in connection with our acquisition of Kite Pharma, Inc. If we fail to overcome these risks, it could cause us to incur significant expenses and negatively affect profitability, which could have an adverse effect on our results of operations. We could also experience negative effects on our reported results of operations from acquisition or disposition-related charges, amortization of expenses related to intangibles and charges for impairment of long-term assets.

We face risks associated with our global operations, which may adversely affect our financial condition and results of operations.

Our global operations are accompanied by certain financial, political, economic and other risks, including those listed below:

- **Foreign Currency Exchange:** For the six months ended June 30, 2020, approximately 26% of our product sales were outside the United States. Because a significant percentage of our product sales is denominated in foreign currencies, primarily the Euro, we face exposure to adverse movements in foreign currency exchange rates. Overall, we are a net receiver of foreign currencies, and therefore, we benefit from a weaker U.S. dollar and are adversely affected by a stronger U.S. dollar. While we use foreign currency exchange forward or option contracts or both to hedge a percentage of our forecasted international sales, our hedging program does not eliminate our exposure to currency fluctuations. We cannot predict future fluctuations in the foreign currency exchange rates of the U.S. dollar. If the U.S. dollar appreciates significantly against certain currencies, our hedging program does not sufficiently offset the effects of such appreciation, our results of operations will be adversely affected and our stock price may decline.

- **Anti-Bribery:** We are subject to the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws that govern our international operations with respect to payments to government officials. Our international operations are heavily regulated and require significant interaction with foreign officials. Though our policies mandate compliance with these anti-bribery laws, we operate in parts of the world that have experienced governmental corruption to some degree. In certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices or may require us to interact with doctors and hospitals, some of which may be state controlled, in a manner that is different than local custom. It is possible that certain of our practices may be challenged under these laws. In addition, despite our training and compliance program, our internal control policies and procedures may not protect us from reckless or criminal acts committed by our employees and agents. Enforcement activities under anti-bribery laws could subject us to administrative and legal proceedings and actions, which could result in civil and criminal sanctions, including monetary penalties and exclusion from health care programs.

- **Other risks inherent in conducting a global business include:**

  - Our international operations, including the use of third-party manufacturers, distributors and collaboration arrangements outside the United States, expose us to increased risk of theft of our intellectual property and other proprietary technology, particularly in jurisdictions with less robust intellectual property protections than the United States, as well as restrictive government actions against our intellectual property and other foreign assets such as nationalization, expropriation or the imposition of compulsory licenses.

  - We may be subject to protective economic policies taken by foreign governments, such as trade protection measures and import and export licensing requirements, which may result in the imposition of trade sanctions or similar restrictions by the United States or other governments.
Our worldwide operations, third-party manufacturers or corporate partners could be subject to business interruptions stemming from natural or man-made disasters, such as climate change, earthquakes, hurricanes, flooding, fires or actual or threatened public health emergencies, or efforts taken by third parties to prevent or mitigate such disasters, such as public safety power shutoffs and facility shutdowns, for which we or they may be uninsured or inadequately insured. For example, our corporate headquarters in Foster City and certain R&D and manufacturing facilities are located in California, a seismically active region. As we may not carry adequate earthquake insurance and significant recovery time could be required to resume operations, our financial condition and operating results could be materially adversely affected in the event of a major earthquake.

Our operations may also be adversely affected if there is political instability or disruption in a geographic region where we operate, regardless of cause, including war, terrorism, social unrest and political changes. For example, on January 31, 2020, the United Kingdom withdrew from the European Union, which initiated a transition period during which the United Kingdom and the European Union will negotiate their future relationship. There is uncertainty concerning any changes in the laws and regulations governing the conduct of clinical trials and marketing of medicinal products in the United Kingdom following the country’s exit from the European Union. This uncertainty may lead to significant complexity and risks for our company and our ability to research, develop and market medicinal products in the European Union and the United Kingdom.

If we were to encounter any of these risks, our global operations may be adversely affected, which could have an adverse effect on our overall business and results of operations.

If significant safety issues arise for our marketed products or our product candidates, our reputation may be harmed and our future sales may be reduced, which could adversely affect our results of operations.

The data supporting the marketing approvals for our products and forming the basis for the safety warnings in our product labels were obtained in controlled clinical trials of limited duration and, in some cases, from post-approval use. As our products are used over longer periods of time by patients with underlying health problems or patients taking other medicines, we expect to continue finding new issues related to safety, resistance or drug interactions. Any such issues may require changes to our product labels, such as additional warnings, contraindications or even narrowed indications. If any of these were to occur, it could reduce the market acceptance and sales of our products.

Regulatory authorities have been moving towards more active and transparent pharmacovigilance and are making greater amounts of stand-alone safety information and clinical trial data directly available to the public through websites and other means, such as periodic safety update report summaries, risk management plan summaries and various adverse event data. Safety information, without the appropriate context and expertise, may be misinterpreted and lead to misperception or legal action which may potentially cause our product sales or stock price to decline.

Further, if serious safety, resistance or drug interaction issues arise with our product candidates or our marketed products, regulatory approvals could be delayed, denied or granted with significant limitations, sales of these products could be limited or halted by us or by regulatory authorities and our results of operations could be adversely affected.

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

The products we develop must be approved for marketing and sale by regulatory authorities and, once approved, are subject to extensive regulation by FDA, EMA and comparable regulatory agencies in other countries. We are continuing clinical trials for many of our products for currently approved and additional uses. We anticipate that we will file for marketing approval in additional countries and for additional indications and products over the next several years. These products may fail to receive such marketing approvals on a timely basis, or at all.

Further, how we manufacture and sell our products is subject to extensive regulation and review. Discovery of previously unknown problems with our marketed products or problems with our manufacturing, safety reporting or promotional activities may result in restrictions on our products, including withdrawal of the products from the market. If we fail to comply with applicable regulatory requirements, including those related to promotion and manufacturing, we could be subject to penalties including fines, suspensions of regulatory approvals, product recalls, seizure of products and criminal prosecution.
For example, under FDA rules, we are often required to conduct post-approval clinical studies to assess a known serious risk, signals of serious risk or to identify an unexpected serious risk. In certain circumstances, we may be required to implement a Risk Evaluation and Mitigation Strategy program for our products, which could include a medication guide, patient package insert, a communication plan to healthcare providers, restrictions on distribution or use of a product and other elements FDA deems necessary to assure safe use of the drug. Failure to comply with these or other requirements imposed by FDA could result in significant civil monetary penalties and our operating results may be adversely affected.

We face risks in our clinical trials, including the potential for unfavorable results, delays in anticipated timelines and disruption, which may adversely affect our prospects for future revenue growth and our results of operations.

We are required to demonstrate the safety and efficacy of products that we develop for each intended use through extensive preclinical studies and clinical trials. The results from preclinical and early clinical studies do not always accurately predict results in later, large-scale clinical trials. Even successfully completed large-scale clinical trials may not result in marketable products. If any of our product candidates fails to achieve its primary endpoint in clinical trials, if safety issues arise or if the results from our clinical trials are otherwise inadequate to support regulatory approval of our product candidates, commercialization of that product candidate could be delayed or halted. In addition, we may also face challenges in clinical trial protocol design.

If the clinical trials for any of the product candidates in our pipeline are delayed or terminated, our prospects for future revenue growth and our results of operations may be adversely impacted. For example, we face numerous risks and uncertainties with our product candidates, including remdesivir for the treatment of COVID-19; filgotinib for the treatment of ulcerative colitis; Crohn’s disease and psoriatic arthritis; GLPG-1690 for the treatment of idiopathic pulmonary fibrosis; cilofexor for the treatment of primary sclerosing cholangitis; and axicabtagene ciloleucel for the treatment of second line diffuse large B-cell lymphoma, each currently in Phase 3 clinical trials, that could prevent completion of development of these product candidates. These risks include our ability to enroll patients in clinical trials, the possibility of unfavorable results of our clinical trials, the need to modify or delay our clinical trials or to perform additional trials and the risk of failing to obtain FDA and other regulatory agency approvals. As a result, our product candidates may never be successfully commercialized. Further, we may make a strategic decision to discontinue development of our product candidates if, for example, we believe commercialization will be difficult relative to other opportunities in our pipeline. If these programs and others in our pipeline cannot be completed on a timely basis or at all, then our prospects for future revenue growth and our results of operations may be adversely impacted. In addition, clinical trials involving our commercial products could raise new safety issues for our existing products, which could in turn adversely affect our results of operations and harm our business.

In addition, we extensively outsource our clinical trial activities and usually perform only a small portion of the start-up activities in-house. We rely on independent third-party contract research organizations ("CROs") to perform most of our clinical studies, including document preparation, site identification, screening and preparation, pre-study visits, training, program management, patient enrollment, ongoing monitoring, site management and bioanalytical analysis. Many important aspects of the services performed for us by the CROs are out of our direct control. If there is any dispute or disruption in our relationship with our CROs, our clinical trials may be delayed. Moreover, in our regulatory submissions, we rely on the quality and validity of the clinical work performed by third-party CROs. If any of our CROs’ processes, methodologies or results were determined to be invalid or inadequate, our own clinical data and results and related regulatory approvals may be adversely affected.

We depend on relationships with third parties for sales and marketing performance, technology, development, logistics and commercialization of products. Failure to maintain these relationships, poor performance by these companies or disputes with these third parties could negatively impact our business.

We rely on a number of collaborative relationships with third parties for our sales and marketing performance in certain territories. For example, we have collaboration arrangements with Janssen Sciences Ireland UC for Odefsey, Complera/Eviplera and Symtuza. In some countries, we rely on international distributors for sales of certain of our products. Some of these relationships also involve the development of clinical and commercial aspects of these products by our partners. Reliance on collaborative relationships poses a number of risks, including the risk that:

- we are unable to control the resources our corporate partners devote to our programs or products;
- disputes may arise with respect to the ownership of rights to technology developed with our corporate partners;
- disagreements with our corporate partners could cause delays in, or termination of, the research, development or commercialization of product candidates or result in litigation or arbitration;
- contracts with our corporate partners may fail to provide significant protection or may fail to be effectively enforced if one of these partners fails to perform;
• our corporate partners have considerable discretion in electing whether to pursue the development of any additional products and may pursue alternative technologies or products either on their own or in collaboration with our competitors;
• our corporate partners with marketing rights may choose to pursue competing technologies or to devote fewer resources to the marketing of our products than they do to products of their own development; and
• our distributors and our corporate partners may be unable to pay us.

Given these risks, there is a great deal of uncertainty regarding the success of our current and future collaborative efforts. If these efforts fail, our product development or commercialization of new products could be delayed or revenues from products could decline.

For Yescarta, we rely on third-party sites to collect patients’ white blood cells, known as apheresis centers, shippers, couriers, and hospitals for the logistical collection of patients’ white blood cells and ultimate delivery of Yescarta to patients. Any disruption or difficulties encountered by any of these vendors could result in product loss and regulatory action and harm our Yescarta business and our reputation. To ensure that any apheresis center is prepared to ship cells to our manufacturing facilities, we conduct quality certifications of each apheresis center. However, apheresis centers may choose not to participate in the certification process or we may be unable to complete certification in a timely manner or at all, which could delay or restrain our manufacturing and commercialization efforts. As a result, our sales of Yescarta may be limited, and our results of operations could be adversely affected.

Our success depends to a significant degree on our ability to defend our patents and other intellectual property rights both domestically and internationally. We may not be able to obtain effective patents to protect our technologies from use by competitors.

Patents and other proprietary rights are very important to our business. As part of our business strategy, we actively seek patent protection both in the United States and internationally and file additional patent applications, when appropriate, to cover improvements in our compounds, products and technology. Our success depends to a significant degree on our ability to:

• obtain patents and licenses to patent rights;
• preserve trade secrets and internal know-how;
• defend against infringement of our patents and efforts to invalidate them; and
• operate without infringing on the intellectual property of others.

Since patent applications are confidential for a period of time before a patent is issued, we may not know if our competitors filed patent applications for technology covered by our pending applications or if we were the first to invent or first to file an application directed toward the technology that is the subject of our patent applications. If competitors file patent applications covering our technology, we may have to participate in litigation, post-grant proceedings before the U.S. Patent and Trademark Office (“USPTO”) or other proceedings to determine the right to a patent or validity of any patent granted. Such litigation and proceedings are unpredictable and expensive, and could divert management attention from other operations, such that, even if we are ultimately successful, our results of operations may be adversely affected by such events.

Generic manufacturers have sought, and may continue to seek, FDA approval to market generic versions of our products through an abbreviated new drug application (“ANDA”), the application process typically used by manufacturers seeking approval of a generic drug. For a description of our ANDA litigation, see Note 10. Commitments and Contingencies of the Notes to Condensed Consolidated Financial Statements included in Part I, Item I of this Quarterly Report on Form 10-Q. The entry of generic versions of our products has, and may in the future, lead to market share and price erosion and have a negative impact on our business and results of operations.

Our success depends in large part on our ability to operate without infringing upon the patents or other proprietary rights of third parties.

If we are found to infringe the valid patents of third parties, we may be required to pay significant monetary damages or we may be prevented from commercializing products or may be required to obtain licenses from these third parties. We may not be able to obtain alternative technologies or any required license on commercially reasonable terms or at all. If we fail to obtain these licenses or alternative technologies, we may be unable to develop or commercialize some or all of our products. For example, we are aware of patents and patent applications owned by third parties that such parties may claim cover the use of sofosbuvir, axicabtagene ciloleucel or bictegravir. See “We may be required to pay significant damages and royalty payments as a result of ongoing litigation related to Yescarta and Biktaryr.” See also a description of our litigation regarding sofosbuvir, axicabtagene ciloleucel, bictegravir, and TDF or TAF in combination with FTC for the use of pre-exposure prophylaxis in Note 10. Commitments and Contingencies of the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.
Furthermore, we also rely on unpatented trade secrets and improvements, unpatented internal know-how and technological innovation. For example, a great deal of our liposomal manufacturing expertise, which is a key component of our liposomal technology, is not covered by patents but is instead protected as a trade secret. We protect these rights mainly through confidentiality agreements with our corporate partners, employees, consultants and vendors. We cannot be certain that these parties will comply with these confidentiality agreements, that we have adequate remedies for any breach or that our trade secrets, internal know-how or technological innovation will not otherwise become known or be independently discovered by our competitors. Under some of our R&D agreements, inventions become jointly owned by us and our corporate partner and in other cases become the exclusive property of one party. In certain circumstances, it can be difficult to determine who owns a particular invention and disputes could arise regarding those inventions. If our trade secrets, internal know-how, technological innovation or confidential information become known or independently discovered by competitors or if we enter into disputes over ownership of inventions, our business and results of operations could be adversely affected.

**Manufacturing problems, including at our third-party manufacturers and corporate partners, could cause inventory shortages and delay product shipments and regulatory approvals, which may adversely affect our results of operations.**

In order to generate revenue from our products, we must be able to produce sufficient quantities of our products to satisfy demand. Many of our products are the result of complex manufacturing processes. The manufacturing process for pharmaceutical products is also highly regulated and regulators may shut down manufacturing facilities that they believe do not comply with regulations.

Our products are either manufactured at our own facilities or by third-party manufacturers or corporate partners. We depend on third parties to perform manufacturing activities effectively and on a timely basis for the majority of our solid dose products. We, our third-party manufacturers and our corporate partners are subject to Good Manufacturing Practices (“GMP”), which are extensive regulations governing manufacturing processes, stability testing, record keeping and quality standards as defined by FDA and EMA. Similar regulations are in effect in other jurisdictions.

Our third-party manufacturers and corporate partners are independent entities subject to their own unique operational and financial risks that are out of our control. If we or any of these third-party manufacturers or corporate partners fail to perform as required, this could impair our ability to deliver our products on a timely basis or receive royalties or could cause delays in our clinical trials and applications for regulatory approval. Further, we may have to write off the costs of manufacturing any batch that fails to pass quality inspection or meet regulatory approval. In addition, we, our third-party manufacturers and our corporate partners may only be able to produce some of our products at one or a limited number of facilities and, therefore, have limited manufacturing capacity for certain products, and we may not be able to locate additional or replacement facilities on a reasonable basis or at all. Our sales of such products could also be adversely impacted by our reliance on such limited number of facilities. To the extent these risks materialize and affect their performance obligations to us, our financial results may be adversely affected.

Our manufacturing operations are subject to routine inspections by regulatory agencies. If we are unable to remedy any deficiencies cited by FDA or other regulatory agencies in these inspections, our currently marketed products and the timing of regulatory approval of products in development could be adversely affected. Further, there is risk that regulatory agencies in other countries where marketing applications are pending will undertake similar additional reviews or apply a heightened standard of review, which could delay the regulatory approvals for products in those countries. If approval of any of our product candidates were delayed or if production of our marketed products were interrupted, our anticipated revenues and our stock price may be adversely affected.

We may not be able to obtain materials or supplies necessary to conduct clinical trials or to manufacture and sell our products, which could limit our ability to generate revenues.

We need access to certain supplies and products to conduct our clinical trials and to manufacture and sell our products. If we are unable to purchase sufficient quantities of these materials or find suitable alternative materials in a timely manner, our development efforts for our product candidates may be delayed or our ability to manufacture our products could be limited, which could limit our ability to generate revenues.
Suppliers of key components and materials must be named in the new drug application or marketing authorization application filed with the regulatory authority for any product candidate for which we are seeking marketing approval, and significant delays can occur if the qualification of a new supplier is required. Even after a manufacturer is qualified by the regulatory authority, the manufacturer must continue to expend time, money and effort in the area of production and quality control to ensure full compliance with GMP. Manufacturers are subject to regular periodic inspections by regulatory authorities following initial approval. If, as a result of these inspections, a regulatory authority determines that the equipment, facilities, laboratories or processes do not comply with applicable regulations and conditions of product approval, the regulatory authority may suspend the manufacturing operations. If the manufacturing operations of any of the single suppliers for our products are suspended, we may be unable to generate sufficient quantities of commercial or clinical supplies of product to meet market demand, which could in turn decrease our revenues and harm our business. In addition, if deliveries of materials from our suppliers were interrupted for any reason, we may be unable to ship certain of our products for commercial supply or to supply our product candidates for clinical trials. In addition, some of our products and the materials that we utilize in our operations are manufactured at only one facility, which we may not be able to replace in a timely manner and on commercially reasonable terms, or at all. Problems with any of the single suppliers we depend on, including in the event of a disaster, such as an earthquake, equipment failure or other difficulty, may negatively impact our development and commercialization efforts.

A significant portion of the raw materials and intermediates used to manufacture our antiviral products are supplied by third-party manufacturers and corporate partners outside of the United States. As a result, any political or economic factors in a specific country or region, including any changes in or interpretations of trade regulations, compliance requirements or tax legislation, that would limit or prevent third parties outside of the United States from supplying these materials could adversely affect our ability to manufacture and supply our antiviral products to meet market needs and have a material and adverse effect on our operating results.

If we were to encounter any of these difficulties, our ability to conduct clinical trials on product candidates and to manufacture and sell our products could be impaired, which could have an adverse effect on our business.

Imports from countries where our products are available at lower prices and unapproved generic or counterfeit versions of our products could have a negative impact on our reputation and business.

Prices for our products are based on local market economics and competition and sometimes differ from country to country. Our sales in countries with relatively higher prices may be reduced if products can be imported and resold into those countries from lower price markets. We have entered into agreements with generic drug manufacturers as well as licensing agreements with the Medicines Patent Pool, a United Nations-backed public health organization, which allows generic drug manufacturers to manufacture certain generic versions of our products for distribution in certain low- and middle-income countries. If any generic versions of our products, whether or not produced and/or distributed under these agreements, are exported to the United States, Europe or markets with higher prices, our revenues could be adversely affected.

In the European Union, we are required to permit products purchased in one European Union member state to be sold in another member state. Purchases of our products in countries where our selling prices are relatively low for resale in countries in which our selling prices are relatively high can affect the inventory level held by our wholesalers and can cause the relative sales levels in the various countries to fluctuate from quarter to quarter and not reflect the actual consumer demand in any given quarter. These quarterly fluctuations may impact our earnings, which could adversely affect our stock price and harm our business.

Additionally, diverted products may be used in countries where they have not been approved and patients may source the diverted products outside the legitimate supply chain. These diverted products may be handled, shipped and stored inappropriately, which may affect the efficacy of the products and could harm patients, our brands or the commercial or scientific reputation of our products.

We are also aware of the existence of various “Buyers Clubs” around the world that promote the personal importation of generic versions of our products that have not been approved for use in the countries into which they are imported. As a result, patients may be at risk of taking unapproved medications which may not be what they purport to be, may not have the potency they claim to have or may contain harmful substances. To the extent patients take unapproved generic versions of one or more of our medications and are injured by these generic products, our brands or the commercial or scientific reputation of our products could be harmed.
Further, third parties may illegally distribute and sell counterfeit versions of our medicines, which do not meet the rigorous quality standards of our manufacturing and supply chain. Our actions to discourage the distribution and sale of counterfeit versions of our medicines around the world, including working with local regulatory and legal authorities to enforce laws against counterfeit medicines, raising public awareness of the dangers of counterfeit medicines and promoting public policies to hinder the sale and availability of counterfeit medicines, may not be successful. Counterfeit medicines pose a serious risk to patient health and safety and may raise the risk of product recalls. Our reputation and business could suffer as a result of counterfeit versions of our medicines identified in the market.

Expensive litigation and government investigations have increased our expenses which may continue to reduce our earnings.

We are involved in a number of litigation, investigation and other dispute-related matters that require us to expend substantial internal and financial resources. We expect these matters will continue to require a high level of internal and financial resources for the foreseeable future. These matters have reduced and will continue to reduce our earnings and require significant management attention. For a description of our litigation, investigations and other dispute-related matters, see Note 10. Commitments and Contingencies of the Notes to Condensed Consolidated Financial Statements included in Part I, Item I of this Quarterly Report on Form 10-Q. See also “We may be required to pay significant damages and royalty payments as a result of ongoing litigation related to Yescarta and Biktarvy.” The outcome of such legal proceedings or any other legal proceedings that may be brought against us, the investigations or any other investigations that may be initiated and any other dispute-related matters, are inherently uncertain, and adverse developments or outcomes can result in significant expenses, monetary damages, penalties or injunctive relief against us that could significantly reduce our earnings and cash flows and harm our business and reputation.

We may face significant liability resulting from our products and such liability could materially reduce our earnings.

The testing, manufacturing, marketing and use of our commercial products, as well as product candidates in development, involve substantial risk of product liability claims. These claims may be made directly by consumers, healthcare providers, pharmaceutical companies or others. We have limited insurance for product liabilities that may arise. If claims exceed our coverage, our financial condition will be adversely affected. In addition, negative publicity associated with any claims, regardless of their merit, may decrease the future demand for our products and impair our financial condition. For a description of our product liability matters, see Note 10. Commitments and Contingencies of the Notes to Condensed Consolidated Financial Statements included in Part I, Item I of this Quarterly Report on Form 10-Q.

If we fail to attract, develop and retain highly qualified personnel, our business and operations may be adversely affected.

Our future success will depend in large part on our continued ability to attract, develop and retain highly qualified scientific, technical and management personnel, as well as personnel with expertise in clinical testing, governmental regulation and commercialization. We face competition for personnel from other companies, universities, public and private research institutions, government entities and other organizations. Competition for qualified personnel in the biopharmaceutical field is intense, and there is a limited pool of qualified potential employees to recruit. We may not be able to attract and retain quality personnel on acceptable terms. Our ability to do so also depends on how well we maintain a strong workplace culture that is attractive to employees. Additionally, changes to U.S. immigration and work authorization laws and regulations could make it more difficult for employees to work in or transfer to jurisdictions in which we have operations and could impair our ability to attract and retain qualified personnel. If we are unsuccessful in our recruitment, development and retention efforts or we fail to maintain a strong workplace culture, our business and reputation may be harmed.

We have recently made significant changes to our senior leadership team. In 2019, we appointed Daniel O’Day as Chairman and Chief Executive Officer, Andrew Dickinson as Chief Financial Officer, Johanna Mercier as Chief Commercial Officer, Merdad Parsey as Chief Medical Officer, Brett Pletcher as Executive Vice President, Corporate Affairs and General Counsel, Jyoti Mehra as Executive Vice President, Human Resources, and Christi Shaw as Chief Executive Officer of Kite. Changes in management and other key personnel may lead to potential organizational realignments and additional personnel changes, which may disrupt our business and adversely affect our operations.
We are dependent on information technology systems, infrastructure and data, which may be subject to cyberattacks, security breaches and legal claims.

We are dependent upon information technology systems, infrastructure and data, including our Kite Konnect platform, which is critical to ensure chain of identity and chain of custody of Yescarta. The multitude and complexity of our computer systems make them inherently vulnerable to service interruption or destruction, malicious intrusion and random attack. Likewise, data privacy or security breaches by employees or others pose a risk that sensitive data, including our intellectual property or trade secrets or the personal information of our employees, patients, customers or other business partners may be exposed to unauthorized persons or to the public. Cyberattacks are increasing in their frequency, sophistication and intensity, including during the pandemic. Cyberattacks could include the deployment of harmful malware, denial-of-service, social engineering and other means to affect service reliability and threaten data confidentiality, integrity and availability. Our business and technology partners face similar risks and any security breach of their systems could adversely affect our security posture. While we have invested, and continue to invest, in the protection of our data and information technology infrastructure, there can be no assurance that our efforts, or the efforts of our partners and vendors, will prevent future service interruptions or identify breaches in our systems. Such interruptions or breaches could adversely affect our business and operations and/or cause the loss of critical or sensitive information, including personal information, which could result in financial, legal, business or reputational harm to us. In addition, our insurance may not be sufficient in type or amount to cover the financial, legal, business or reputational losses that may result from an interruption or breach of our systems.

Regulators globally are also imposing new data privacy and security requirements, including new and greater monetary fines for privacy violations. For example, the General Data Protection Regulation (“GDPR”) that became effective in Europe in 2018 established regulations regarding the handling of personal data, and non-compliance with the GDPR may result in monetary penalties of up to four percent of worldwide revenue. In addition, new domestic data privacy and security laws, such as the California Consumer Privacy Act (“CCPA”) that became effective in January 2020, and others that may be passed, similarly introduce requirements with respect to personal information, and non-compliance with CCPA may result in liability through private actions (subject to statutorily defined damages in the event of certain data breaches) and enforcement. The GDPR, CCPA and other changes, or new laws or regulations associated with the enhanced protection of personal information, including in some cases healthcare data or other personal information, could greatly increase our cost of providing our products and services or even prevent us from offering certain services in jurisdictions in which we operate.

Changes in our effective income tax rate could reduce our earnings.

We are subject to income taxes in the United States and various foreign jurisdictions including Ireland. Due to economic and political conditions, various countries are actively considering and have made changes to existing tax laws. We cannot predict the form or timing of potential legislative and regulatory changes that could have a material adverse impact on our results of operations.

In addition, significant judgment is required in determining our worldwide provision for income taxes. Various factors may have favorable or unfavorable effects on our income tax rate including, but not limited to, our portion of the non-deductible annual branded prescription drug fee, the accounting for stock options and other share-based awards, mergers and acquisitions, future levels of R&D spending, ability to maintain manufacturing and other operational activities in our Irish facilities, changes in the mix of earnings in the various tax jurisdictions in which we operate, changes in overall levels of pre-tax earnings, resolution of federal, state and foreign income tax audits. The impact on our income tax provision resulting from the above mentioned factors may be significant and could have a negative impact on our consolidated results of operations.

Our income tax returns are subject to audit by federal, state and foreign tax authorities. We are currently under examination by the Internal Revenue Service for the tax years from 2013 to 2015 and by various state and foreign jurisdictions. There are differing interpretations of tax laws and regulations and, as a result, significant disputes may arise with these tax authorities involving issues of the timing and amount of deductions and allocations of income among various tax jurisdictions. Resolution of one or more of these exposures in any reporting period could have a material impact on the results of operations for that period.
There can be no assurance that we will continue to pay dividends or repurchase stock.

Our Board of Directors authorized a dividend program under which we intend to pay quarterly dividends of $0.68 per share, subject to quarterly declarations by our Board of Directors. In the first quarter of 2016, our Board of Directors also approved the repurchase of up to $12.0 billion of our common stock (“2016 Program”), of which $2.0 billion is available for repurchase as of June 30, 2020. In the first quarter of 2020, our Board of Directors authorized a new $5.0 billion stock repurchase program (“2020 Program”), which will commence upon the completion of the 2016 Program. Purchases under the 2020 Program may be made in the open market or in privately negotiated transactions. Any future declarations, amount and timing of any dividends and/or the amount and timing of such stock repurchases are subject to capital availability and determinations by our Board of Directors that cash dividends and/or stock repurchases are in the best interest of our stockholders and are in compliance with all respective laws and our agreements applicable to the declaration and payment of cash dividends and the repurchase of stock. Our ability to pay dividends and/or repurchase stock will depend upon, among other factors, our cash balances and potential future capital requirements for strategic transactions, including acquisitions, debt service requirements, results of operations, financial condition and other factors beyond our control that our Board of Directors may deem relevant. A reduction in or elimination of our dividend payments, our dividend program and/or stock repurchases could have a negative effect on our stock price.
Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The table below summarizes our stock repurchase activity for the three months ended June 30, 2020:

<table>
<thead>
<tr>
<th>Period</th>
<th>Total Number of Shares Purchased (in thousands)</th>
<th>Average Price Paid per Share (in dollars)</th>
<th>Total Number of Shares Purchased as Part of Publicly Announced Program(1) (in thousands)</th>
<th>Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(1) (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 1 - April 30, 2020</td>
<td>263</td>
<td>$77.28</td>
<td>237</td>
<td>$7,052</td>
</tr>
<tr>
<td>May 1 - May 31, 2020</td>
<td>267</td>
<td>$76.52</td>
<td>230</td>
<td>$7,034</td>
</tr>
<tr>
<td>June 1 - June 30, 2020</td>
<td>265</td>
<td>$75.32</td>
<td>233</td>
<td>$7,017</td>
</tr>
<tr>
<td>Total</td>
<td>795</td>
<td>$76.37</td>
<td>700</td>
<td>(2)</td>
</tr>
</tbody>
</table>

(1) In the first quarter of 2016, our Board of Directors authorized a $12.0 billion share repurchase program (“2016 Program”). Shares purchased during the period were made under the 2016 Program. In January 2020, our Board of Directors authorized a new $5.0 billion stock repurchase program (“2020 Program”), which will commence upon the completion of the 2016 Program. Share repurchases under both programs may be made in the open market or in privately negotiated transactions.

(2) The difference between the total number of shares purchased and the total number of shares purchased as part of a publicly announced program is due to shares of common stock withheld by us from employee restricted stock awards in order to satisfy applicable tax withholding obligations.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

Not applicable.

Item 6. EXHIBITS

Reference is made to the Exhibit Index included herein.
Form of non-employee director restricted stock unit issuance agreement under 2004 Equity Incentive Plan (for grants commencing in 2020)

Gilead Sciences, Inc. 2018 Equity Incentive Plan, amended and restated April 7, 2020

Gilead Sciences, Inc. Employee Stock Purchase Plan, amended and restated January 22, 2015

Gilead Sciences, Inc. 2005 Deferred Compensation Plan, amended and restated April 19, 2016

Gilead Sciences, Inc. Severance Plan, amended and restated May 4, 2020

Gilead Sciences, Inc. Corporate Annual Incentive Plan, amended and restated January 1, 2020

Gilead Sciences, Inc. Retention Program for Executive Officers

Gilead Sciences, Inc. Retention Program for Senior Vice Presidents and Executive Vice Presidents

Severance and General Release Agreement between Registrant and Laura Hamill, dated June 6, 2019

Transition and Severance Agreement between Registrant and Gregg Alton, dated July 15, 2019

Offer Letter between Registrant and Daniel O’Day, dated November 30, 2019

Stock option agreement for Daniel O’Day under 2004 Equity Incentive Plan

Performance share award agreement for Daniel O’Day (for TSR Goals in 2019) under 2004 Equity Incentive Plan

Performance share award agreement for Daniel O’Day (for Revenue Goals in 2019) under 2004 Equity Incentive Plan

Form of restricted stock unit issuance agreement for Daniel O’Day (in 2019) under 2004 Equity Incentive Plan

Offer Letter between Registrant and Johanna Mercier, dated May 21, 2019

Letter Agreement between Registrant and Johanna Mercier, dated May 4, 2020

Global stock option agreement for Johanna Mercier (in 2019) under 2004 Equity Incentive Plan

Restricted stock unit issuance agreement for Johanna Mercier (for Performance Objectives in 2019-2020) under 2004 Equity Incentive Plan

Global restricted stock unit issuance agreement for Johanna Mercier (in 2019) under 2004 Equity Incentive Plan

Offer Letter between Registrant and Merdad Parsey, dated September 29, 2019

Global restricted stock unit issuance agreement for Merdad Parsey (in 2019) under 2004 Equity Incentive Plan

Offer Letter between Registrant and Daniel O’Day, dated November 30, 2019

Form of Indemnity Agreement entered into between Registrant and its directors and executive officers

Form of Employee Proprietary Information and Invention Agreement entered into between Registrant and certain of its officers and key employees (revised September 2006)

Amendment Agreement, dated October 25, 1993, between Registrant, the Institute of Organic Chemistry and Biochemistry (IOCB) and Roja Stichting v.z.w. (REGA), together with the following exhibits: the License Agreement, dated December 15, 1991, between Registrant, IOCB and REGA (the 1991 License Agreement); the License Agreement, dated October 15, 1992, between Registrant, IOCB and REGA (the October 1992 License Agreement); and the License Agreement, dated December 1, 1992, between Registrant, IOCB and REGA (the December 1992 License Agreement)

Amendment Agreement between Registrant and IOCB/REGA, dated December 27, 2008; amending the 1991 License Agreement and the December 1992 License Agreement

Sixth Amendment Agreement to the License Agreement, between IOCB/REGA and Registrant, dated August 15, 2006; amending the October 1992 License Agreement and the December 1992 License Agreement

Seventh Amendment Agreement to the License Agreement, between IOCB/REGA and Registrant, dated July 1, 2013; amending the October 1992 License Agreement and the December 1992 License Agreement

Exclusive License Agreement by and between Registrant (as successor to Triangle Pharmaceuticals, Inc.), Gleast Group Limited, The Wellcome Foundation Limited, Glaxo Wellcome Inc. and Emory University, dated March 25, 1999

Royalty Sale Agreement by and among Registrant, Emory University and Investors Trust & Custodial Services (Ireland) Limited, solely in its capacity as Trustees of Royalty Pharma, dated July 15, 2019

Amended and Restated EVG License Agreement by and between Japa Tobacco Inc. and Registrant, dated November 29, 2018

Master Agreement by and between Registrant, Gilead Sciences K.K. and Japan Tobacco Inc., dated November 29, 2018
SIGNATURES

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

GILEAD SCIENCES, INC.
(Registrant)

Date: August 6, 2020

/s/ DANIEL P. O’DAY
Daniel P. O'Day
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: August 6, 2020

/s/ ANDREW D. DICKINSON
Andrew D. Dickinson
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
RECITALS

A. Participant is to render valuable services to the Company as a non-employee Director, and this Restricted Stock Unit Issuance Agreement (this “Agreement”) is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Company’s grant of a Restricted Stock Unit award to Participant in his or her capacity as a non-employee Director.

B. All capitalized terms used in this Agreement shall have the meaning assigned to them herein and in the attached Appendix A. Capitalized terms not defined herein or in the attached Appendix A shall have the meanings assigned to them in the Plan.

NOW, THEREFORE, the Company hereby grants this Restricted Stock Unit award (the “Award”) to Participant upon the following terms and conditions:

1. **Grant of Restricted Stock Units.** The Company hereby grants to Participant, as of the Award Date indicated below, the Award under which Participant may be issued the Shares under the Plan. Each Restricted Stock Unit that vests hereunder will entitle Participant to receive one share of Common Stock on the specified issuance date for that unit. The number of Shares subject to the Award, the applicable vesting schedule for those Shares, the date or dates on which those vested Shares shall become issuable to Participant and the remaining terms and conditions governing the Award shall be as set forth in this Agreement.

**AWARD SUMMARY**

**Participant:** [First Name, Last Name]

**Award Date:** [Date]

**Number of Shares Subject to Award:** [___] Shares

**Vesting Schedule:** The Shares shall vest upon the earlier of (i) Participant’s completion of one (1) year of Continuous Service measured from the Award Date or (ii) the day immediately preceding the next regular annual stockholders meeting following the Award Date provided Participant remains in Continuous Service through such day (the earlier of (i) or (ii), the “Normal Vesting Date”). However, the Shares may be subject to accelerated vesting in accordance with the provisions of Paragraph 3 or Paragraph 5 of this Agreement.
Unless Participant has made a timely Deferral Election with respect to the Award, the Shares in which Participant vests on the Normal Vesting Date shall become issuable immediately upon vesting, and will be issued no later than the later of (i) the close of the calendar year in which the Normal Vesting Date occurs or (ii) the fifteenth (15th) day of the third (3rd) calendar month following the Normal Vesting Date. However, if Participant has made a timely Deferral Election, then the Shares in which Participant vests on the Normal Vesting Date shall be issued in accordance with the terms and provisions of such Deferral Election, including the applicable distribution event and method of distribution. In the event of a Change in Control, the distribution provisions of Paragraph 5 shall apply.

2. **Limited Transferability.** Prior to actual receipt of the Shares which vest hereunder, Participant may not transfer or assign any interest in the Award or the underlying Shares or pledge or otherwise hedge the sale of those Shares, including (without limitation) any short sale or any acquisition or disposition of any put or call option or other instrument tied to the value of the underlying Shares. Any Shares which vest hereunder but which otherwise remain unissued at the time of Participant’s death may be issued and delivered to Participant’s designated beneficiary or beneficiaries of the Award, or, if none, to the personal representative of Participant’s estate. Participant may also direct the Company to re-issue the stock certificates (which may be in electronic form) for any Shares which in fact vest and become issuable under the Award during his or her lifetime to one or more designated members of Participant’s Immediate Family. However, the actual issuance of such Shares pursuant to the foregoing provisions of this Paragraph 2 shall be subject to the issuance and distribution provisions of any Deferral Election in effect for the Award.

3. **Cessation of Service.**

   (a) Except as otherwise expressly provided in subparagraph (b) of this Paragraph 3 and Paragraph 5 below, should Participant cease to remain in Continuous Service for any reason prior to the Normal Vesting Date, then the Award shall terminate immediately and cease to be outstanding with respect to any unvested Restricted Stock Units subject to this Award, and Participant shall cease to have any right or entitlement to receive any Shares under those cancelled units. However, for purposes of this Agreement, Participant shall not be deemed to cease Continuous Service if Participant continues to serve the Company as a Director Emeritus immediately following his or her cessation of service as a Board member without an intervening break in Continuous Service.

   (b) Notwithstanding the terms of any Deferral Election, in the event Participant’s Continuous Service terminates by reason of his or her death while any portion of this Award remains unvested, then all unvested Restricted Stock Units subject to this Award shall immediately vest as of the date of Participant’s death and the Shares issued upon such
vesting shall be delivered to (i) the designated beneficiary or beneficiaries under any beneficiary designation in effect for this Award at the time of Participant’s death, (ii) in the absence of any such designation, the personal representative of Participant’s estate, or the person or persons to whom the Shares are transferred pursuant to Participant’s will or the laws of inheritance following Participant’s death.

4. **Stockholder Rights and Dividend Equivalents.**

   (a) The holder of the Award shall not have any stockholder rights, including voting, dividend or liquidation rights, with respect to the Shares subject to the Award until Participant becomes the record holder of those Shares upon their actual issuance following the Company’s collection of any Withholding Taxes.

   (b) Notwithstanding the foregoing, in the event that any dividend or other distribution is declared and paid on shares of Common Stock after the Award Date, but prior to the complete settlement, cancellation or forfeiture of this Award, Participant shall be entitled to receive, upon settlement of this Award, an amount (the “dividend equivalent amount”) equal to the dividends or other distributions that would have been paid or issued on the number of shares of Common Stock actually vested and issuable to Participant pursuant to this Award. The dividend equivalent amount shall be calculated by the Administrator in its discretion and need not be adjusted for interest, earnings or assumed reinvestment. The dividend equivalent amount shall be distributed to Participant concurrently with the issuance of the vested Shares to which those dividend equivalent amounts relate, and may be paid and distributed in the same form in which the actual dividend or distribution was paid to the holders of the Common Stock or in such other form as the Administrator deems appropriate. Each such distribution of dividend equivalent amounts shall be subject to the Company’s collection of any Withholding Taxes applicable to that distribution. The Administrator shall have the sole discretion to determine the dollar value of any dividend or distribution paid other than in the form of cash, and its determination shall be controlling. No dividend equivalent amount shall be paid or distributed on shares of Common Stock under this Award that are forfeited or that otherwise do not vest and are not issued or issuable under this Award.

5. **Change in Control.**

   (a) Should Participant remain in Continuous Service until the effective date of a Change in Control, then the Restricted Stock Units at the time subject to the Award shall vest immediately prior to the effective date of the Change in Control. The Shares subject to those vested units shall be converted into the right to receive the same consideration per share of Common Stock payable to the other stockholders of the Company in consummation of that Change in Control, and such consideration per Share shall be distributed to Participant at the same time as such shareholder payments, but such distribution to Participant shall in all events be completed no later than the later of (i) the close of the calendar year in which such Change in Control is effected or (ii) the fifteenth (15th) day of the third (3rd) calendar month following the effective date of that Change in Control. However, if Participant has made a timely Deferral Election with respect to the Award, then the consideration payable per Share in consummation of
the Change in Control shall be distributed to Participant in accordance with the distribution provisions of that Deferral Election, and those provisions shall supersede anything to the contrary in this Paragraph 5. Each such issuance shall be subject to the Company’s collection of any Withholding Taxes.

(b) This Agreement shall not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

6. Adjustment in Shares. Should any change be made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction, extraordinary dividend or distribution or other change affecting the outstanding Common Stock as a class without the Company’s receipt of consideration, or should the value of the outstanding shares of Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation or other reorganization, then equitable and proportional adjustments shall be made by the Administrator to the total number and/or class of securities issuable pursuant to the Award in order to reflect such change. The determination of the Administrator shall be final, binding and conclusive upon Participant and any other person or persons having or claiming an interest in the Award. In the event of a Change in Control, the provisions of Paragraph 5 shall be controlling.

7. Issuance of Shares or Other Amounts.

(a) On or as promptly as practicable after each date on which one or more Shares are to be issued in accordance with the express provisions of this Agreement or, if the Administrator permits Participant to file a Deferral Election and Participant files a Deferral Election, the distribution provisions of Participant’s Deferral Election, which shall have priority over the terms of this Agreement, the Company shall issue to or on behalf of Participant a stock certificate (which may be in electronic form) for those Shares and shall distribute to Participant any dividend equivalent amounts with respect to those Shares, subject in each instance to the Company’s collection of any Withholding Taxes. Unless otherwise permitted by the Administrator, only non-employee Directors in the United States may file a Deferral Election.

(b) Except as otherwise provided in Paragraph 5, the settlement of all Restricted Stock Units which vest under the Award shall be made solely in Shares. In no event, however, shall any fractional Shares be issued. Accordingly, the total number of Shares to be issued at the time the Award vests shall, to the extent necessary, be rounded down to the next whole Share in order to avoid the issuance of a fractional Share.

8. Compliance with Laws and Regulations.

(a) The issuance of Shares pursuant to the Award shall be subject to compliance by the Company and Participant with all Applicable Laws relating thereto, as
determined by counsel for the Company.

(b) The inability of the Company to obtain approval from any regulatory body having authority deemed by the Company to be necessary to the lawful issuance and sale of any Common Stock pursuant to the Award shall relieve the Company of any liability with respect to the non-issuance or sale of the Common Stock as to which such approval shall not have been obtained. The Company, however, shall use its reasonable best efforts to obtain all such approvals.

(c) Participant may be subject to insider trading restrictions and/or market abuse laws based on the exchange on which the Shares are listed and in applicable jurisdictions including the United States and Participant’s country or his or her broker’s country, if different, which may affect Participant’s ability to accept, acquire, sell or otherwise dispose of Shares, rights to Shares (e.g., Restricted Stock Units) or rights linked to the value of Shares (e.g., dividend equivalents) during such times as Participant is considered to have “inside information” regarding the Company (as defined by the laws in applicable jurisdictions). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders Participant placed before he or she possessed inside information. Furthermore, Participant could be prohibited from (i) disclosing the inside information to any third party, which may include fellow employees and (ii) “tipping” third parties or causing them otherwise to buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable insider trading policy of the Company. Participant acknowledges that it is Participant’s responsibility to comply with any applicable restrictions and Participant should speak with his or her personal legal advisor on this matter.

9. Notices. Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Company at its principal corporate offices. Any notice required to be given or delivered to Participant shall be in writing and addressed to Participant at the most current address then indicated for Participant on the Company’s records or shall be delivered electronically to Participant through the Company’s electronic mail system. All notices shall be deemed effective upon personal delivery or delivery through the Company’s electronic mail system or upon deposit in the U.S. or local country mail, postage prepaid and properly addressed to the party to be notified.

10. Successors and Assigns. Except to the extent otherwise provided in this Agreement, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and Participant, the legal representatives, heirs and legatees of Participant’s estate and, all designated beneficiaries.

11. Construction. This Agreement and the Award evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. In the event of any conflict between the provisions of this Agreement and the terms of the Plan, the terms of the Plan shall be controlling. All decisions of the Administrator with respect to any question or issue arising under the Plan or this Agreement shall be conclusive and binding on all persons having an interest in the Award.
12. **Governing Law and Venue.**

(a) The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of Delaware without resort to that State’s conflict-of-laws rules.

(b) For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the Award and this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of San Mateo County, California, or the federal courts for the Northern District of California, and no other courts where the grant of the Restricted Stock Units is made and/or to be performed.

13. **Severability.** The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

14. **Waiver.** Participant acknowledges that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach of this Agreement.

15. **Code Section 409A.** If Participant is a U.S. taxpayer, the following provisions apply to Participant’s Award:

(a) It is the intention of the parties that in the absence of a timely-made Deferral Election with respect to the Award, the provisions of this Agreement shall, to the maximum extent permissible, comply with the requirements of the short-term deferral exception to Section 409A of the Code and Treasury Regulations Section 1.409A-1(b)(4). Accordingly, to the extent there is any ambiguity as to whether one or more provisions of this Agreement would otherwise contravene the requirements or limitations of Code Section 409A applicable to such short-term deferral exception, then those provisions shall be interpreted and applied in a manner that does not result in a violation of the requirements or limitations of Code Section 409A and the Treasury Regulations thereunder that apply to such exception.

(b) However, if Participant makes a timely Deferral Election with respect to the Award, then this Agreement will create a deferred compensation arrangement subject to the requirements of Code Section 409A. In that event, the terms and provisions of this Agreement shall be applied and interpreted in a manner that complies with all applicable requirements of Code Section 409A and the Treasury Regulations thereunder. Accordingly, to the extent there is any ambiguity as to whether one or more provisions of this Agreement would otherwise contravene the applicable requirements or limitations of Code Section 409A, then those provisions shall be interpreted and applied in a manner that does not result in a violation of the applicable requirements or limitations of Code Section 409A and the Treasury Regulations thereunder.
16. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan or Participant's acquisition or sale of the underlying Shares. Participant is hereby advised to consult with his or her personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

17. **No Impairment of Rights.** This Agreement shall not in any way be construed or interpreted so as to affect adversely or otherwise impair the right of the Company or its stockholders to remove Participant from the Board at any time in accordance with the provisions of Applicable Law.

18. **Plan Prospectus.** The official prospectus for the Plan is attached if the Award is the first Restricted Stock Unit award made to Participant under the Plan. Participant may obtain an additional printed copy of the prospectus by contacting Stock Plan Services at stockplanservices@gilead.com.

19. **Electronic Delivery and Acceptance.** The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

20. **Participant Acceptance.** Participant must accept the terms and conditions of this Agreement either electronically through the electronic acceptance procedure established by the Company or through a written acceptance delivered to the Company in a form satisfactory to the Company. In no event shall any Shares be issued (or other securities or property distributed) under this Agreement in the absence of such acceptance.

21. **Appendices B and C.** Notwithstanding any provision of this Agreement to the contrary, if Participant resides in a country outside the United States or is otherwise subject to the laws of a country other than the United States, the Award and any Shares acquired under the Plan shall be subject to the additional terms and conditions set forth in Appendix B to this Agreement and to any special terms and provisions as set forth in Appendix C for Participant's country, if any. Moreover, if Participant relocates to one of the countries included in Appendix C, the special terms and conditions for such country will apply to Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. Appendices B and C constitute part of this Agreement.

22. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on Participant’s participation in the Plan, on the Award and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.
IN WITNESS WHEREOF, Gilead Sciences, Inc. has caused this Agreement to be executed on its behalf by its duly-authorized officer on the day and year first indicated above.

GILEAD SCIENCES, INC.

/s/ Jyoti Mehra
By: Jyoti Mehra
Title: EVP, Human Resources

PARTICIPANT

By:
DEFINITIONS

The following definitions shall be in effect under the Agreement:

A. **Award Date** shall mean the date the Restricted Stock Units are awarded to Participant pursuant to the Agreement and shall be the date indicated in Paragraph 1 of the Agreement.

B. **Change in Control** shall mean a change in ownership or control of the Company effected through the consummation of any of the following transactions:

   (i) a sale, transfer or other disposition of all or substantially all of the Company’s assets;

   (ii) the closing of any transaction or series of related transactions (including without limitation a merger or reorganization in which the Company is the surviving entity) pursuant to which any person or any group of persons comprising a “group” within the meaning of Rule 13d-5(b)(1) of the Exchange Act (other than the Company or a person that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with, the Company) becomes directly or indirectly (whether as a result of a single acquisition or by reason of one or more acquisitions within the twelve (12)-month period ending with the most recent acquisition) the beneficial owner (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing (or convertible into or exercisable for securities possessing) more than fifty percent (50%) of the total combined voting power of the Company’s securities (as measured in terms of the power to vote with respect to the election of Board members) outstanding immediately after the consummation of such transaction or series of related transactions, whether such transaction involves a direct issuance from the Company, the acquisition of outstanding securities held by one or more of the Company’s existing stockholders, or an acquisition, consolidation or other reorganization to which the Company is a party;

   (iii) a change in the composition of the Board over a period of twelve (12) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for
election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination; or

(iv) the dissolution or liquidation of the Company or a merger, consolidation, or reorganization of the Company with one or more other entities in which the Company is not the surviving entity which results in any person or entity (other than the Company or a person or entity that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with, the Company) owning fifty percent (50%) or more of the combined voting power of all classes of stock of such surviving entity.

In no event, however, shall a Change in Control be deemed to occur upon a merger, consolidation or other reorganization effected primarily to change the State of the Company’s incorporation or to create a holding company structure pursuant to which the Company becomes a wholly-owned subsidiary of an entity whose outstanding voting securities immediately after its formation are beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Company’s outstanding voting securities immediately prior to the formation of such entity.

C. **Company** shall mean Gilead Sciences, Inc., a Delaware corporation, and any successor corporation to all or substantially all of the assets or voting stock of Gilead Sciences, Inc. which shall by appropriate action adopt the Plan.

D. **Continuous Service** shall mean the performance of services for the Company or a Related Entity (whether now existing or subsequently established) by a person in the capacity of an Employee, Director or Consultant. For purposes of this Agreement, Participant shall be deemed to cease Continuous Service immediately upon the occurrence of either of the following events: (i) Participant no longer performs services in any of the foregoing capacities for the Company or any Related Entity or (ii) the entity for which Participant is performing such services ceases to remain a Related Entity of the Company, even though Participant may subsequently continue to perform services for that entity. The Administrator shall have the exclusive discretion to determine when Participant ceases Continuous Service for purposes of the Award.

E. **Deferral Election** shall mean an election timely filed by Participant with the Company pursuant to which Participant elects, in accordance with the applicable requirements of Code Section 409A, to defer the issuance of the Shares that vest under this Agreement or the distribution of the consideration payable per Share in a Change in Control transaction to one or more designated issuance or distribution dates or events beyond the vesting date for those Shares.

F. **Director** shall mean a member of the Board or a Director Emeritus.

G. **Exchange Act** shall mean the U.S. Securities Exchange Act of 1934, as amended from time to time.
H. **Fair Market Value** per share of Common Stock on any relevant date shall be the closing price per share of Common Stock (or the closing bid, if no sales were reported) on that date, as quoted on the Stock Exchange that is at the time serving as the primary trading market for the Common Stock; *provided, however*, that if there is no reported closing price or closing bid for that date, then the closing price or closing bid, as applicable, for the last trading date on which such closing price or closing bid was quoted shall be determinative of such Fair Market Value. The applicable quoted price shall be as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable.

I. **Normal Vesting Date** shall mean the date (as set forth in Paragraph 1 of the Agreement) on which the Restricted Stock Units and the underlying Shares vest.

J. **Participant** shall mean the person to whom the Award is made pursuant to the Agreement.

K. **Plan** shall mean the Company’s 2004 Equity Incentive Plan, as amended and restated from time to time.

L. **Related Entity** shall mean (i) any Parent or Subsidiary of the Company and (ii) any corporation in an unbroken chain of corporations beginning with the Company and ending with the corporation in the chain for which Participant provides services as an Employee, Director or Consultant, provided each corporation in such chain owns securities representing at least twenty percent (20%) of the total outstanding voting power of the outstanding securities of another corporation or entity in such chain and there is a legitimate non-tax business purpose for making the Award to Participant.

M. **Restricted Stock Unit** shall mean the Award in the form of a contractual right to receive Shares under this Agreement which will entitle Participant to receive one actual share of Common Stock per Restricted Stock Unit upon the satisfaction of the vesting requirements applicable to such Award.

N. **Share Withholding Method** shall mean an automatic Share withholding procedure pursuant to which the Company will withhold, immediately as the Shares are issued under the Award, a portion of those Shares with a fair market value (measured as of the issuance date) equal to the amount of any Withholding Taxes.

O. **Stock Exchange** shall mean the American Stock Exchange, the Nasdaq Global or Global Select Market or the New York Stock Exchange.

P. **Withholding Taxes** shall mean any U.S. federal, state, local and/or foreign income taxes and Participant’s portion of the federal, state, local and/or foreign employment taxes (including social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items), in each case, required or permitted to be withheld by the Company and/or any Related Entity in connection with any taxable event attributable to the Award or Participant’s participation in the Plan, as determined by the Administrator.
APPENDIX B

TERMS AND CONDITIONS FOR NON-U.S. PARTICIPANTS

The provisions in this Appendix B apply to Participants that reside in a country outside the United States or who are otherwise subject to the laws of a country other than the United States and supplement, amend or replace the provisions in the Agreement, as applicable:

1. **Transferability.** The following replaces Paragraph 2 of the Agreement in its entirety:

   Prior to actual receipt of the Shares which vest hereunder, Participant may not transfer any interest in the Award or the underlying Shares. Any Shares which vest hereunder but which otherwise remain unissued at the time of Participant’s death may be issued and delivered to Participant’s estate.

2. **Acknowledgment of Nature of Plan and Award.** In accepting the Award, Participant acknowledges, understands and agrees that:

   (a) the Plan is established voluntarily by the Company, it is discretionary in nature, and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

   (b) the Award is voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted in the past;

   (c) all decisions with respect to future Awards or other grants, if any, will be at the sole discretion of the Company;

   (d) Participant’s participation in the Plan is voluntary;

   (e) the Award and the Shares subject to the Award are for future services and should not be considered as compensation for, or relating in any way to, past services for the Company (or any Related Entity);

   (f) the Award and Participant’s participation in the Plan will not be interpreted to form an employment relationship with the Company (or any Related Entity);

   (g) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with any certainty;
(h) no claim or entitlement to compensation or damages shall arise from forfeiture of the Award resulting from termination of Participant’s Continuous Service by the Company (for any reason whatsoever, whether or not later found to be invalid or in breach of the terms of Participant’s service agreement, if any), and in consideration of the grant of the Restricted Stock Units, Participant irrevocably agrees not to institute any claim against the Company (or any Related Entity), waives his or her ability, if any, to bring any such claim, and releases the Company (or any Related Entity) from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, Participant shall be deemed irrevocably to have agreed not to pursue such claim and to execute any and all documents necessary to request dismissal or withdrawal of such claim;

(i) unless otherwise provided for in the Plan or by the Company in its discretion, the grant of Restricted Stock Units and the benefits evidenced by this Agreement do not create any entitlement to have the Restricted Stock Units or any such benefits transferred to or assumed by another company nor to be exchanged, cashed out or substituted for in connection with any corporate transaction affecting the shares of the Company; and

(j) neither the Company nor any Related Entity shall be liable for any exchange rate fluctuation between Participant’s local currency and the United States Dollar that may affect the value of the Restricted Stock Units or of any amounts due to Participant pursuant to the settlement of the Restricted Stock Units or the subsequent sale of any Shares acquired upon settlement.

3. **Data Privacy.**

   (a) **Data Privacy Consent.** By accepting this Agreement either electronically through the electronic acceptance procedure established by the Company or through a written acceptance, Participant is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Personal Data (as defined below) by the Company and the transfer of Personal Data to the recipients mentioned herein, including recipients located in countries which do not adduce an adequate level of protection from a European (or other) data protection law perspective, for the purposes described herein.

   (b) **Declaration of Consent.** Participant understands that he or she needs to review the following information about the processing of his or her personal data by or on behalf of the Company and/or any Related Entity as described in the Agreement and any other Plan materials (the “Personal Data”) and declare his or her consent. As regards the processing of Participant’s Personal Data in connection with the Plan and this Agreement, Participant understands that the Company is the controller of his or her Personal Data.

   (c) **Data Processing and Legal Basis.** The Company collects, uses and otherwise processes Personal Data about Participant for the purposes of allocating Shares and implementing, administering and managing the Plan. Participant understands that this Personal Data may include, without limitation, his or her name, home address and telephone number,
email address, date of birth, social insurance number, passport number or other identification number (e.g., resident registration number), salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Restricted Stock Units or any other entitlement to shares of stock or equivalent benefits awarded, cancelled, exercised, vested, unvested or outstanding in Participant’s favor. The legal basis for the processing of Participant’s Personal Data, where required, will be his or her consent.

(d) Stock Plan Administration Service Providers. Participant understands that the Company transfers his or her Personal Data, or parts thereof, to E*TRADE Financial Services, Inc. (and its affiliated companies), an independent service provider based in the United States which assists the Company with the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and share Participant’s Personal Data with such different service provider that serves the Company in a similar manner. Participant understands and acknowledges that the Company’s service provider will open an account for him or her to receive and trade Shares acquired under the Plan and that he or she will be asked to agree on separate terms and data processing practices with the service provider, which is a condition of Participant’s ability to participate in the Plan.

(e) International Data Transfers. Participant understands that the Company and, as of the date hereof, any third parties assisting in the implementation, administration and management of the Plan, such as E*TRADE Financial Services, Inc., are based in the United States. Participant understands and acknowledges that his or her country may have enacted data privacy laws that are different from the laws of the United States. For example, the European Commission has issued only a limited adequacy finding with respect to the United States that applies solely if and to the extent that companies self-certify and remain self-certified under the EU/U.S. Privacy Shield program. The Company currently participates in the EU/U.S. Privacy Shield Program, though third parties implementing, administering, and managing the Plan may not. The Company’s legal basis for the transfer of Participant’s Personal Data is his or her consent.

(f) Data Retention. Participant understands that the Company will use his or her Personal Data only as long as is necessary to implement, administer and manage his or her participation in the Plan, or to comply with legal or regulatory obligations, including under tax and securities laws. In the latter case, Participant understands and acknowledges that the Company’s legal basis for the processing of his or her Personal Data would be compliance with the relevant laws or regulations. When the Company no longer needs Participant’s Personal Data for any of the above purposes, Participant understands the Company will remove it from its systems.

(g) Voluntariness and Consequences of Denial/Withdrawal of Consent. Participant understands that his or her participation in the Plan and his or her consent is purely voluntary. Participant may deny or later withdraw his or her consent at any time, with future effect and for any or no reason. If Participant denies or later withdraws his or her consent, the Company can no longer offer Participant participation in the Plan or offer other equity awards to Participant or administer or maintain such awards and Participant would no longer be
able to participate in the Plan. Participant further understands that denial or withdrawal of his or her consent would not affect his or her status or remuneration as a non-employee Director and that Participant would merely forfeit the opportunities associated with the Plan.

(h) **Data Subject Rights.** Participant understands that data subject rights regarding the processing of Personal Data vary depending on the applicable law and that, depending on where Participant is based and subject to the conditions set out in the applicable law, Participant may have, without limitation, the rights to (i) inquire whether and what kind of Personal Data the Company holds about him or her and how it is processed, and to access or request copies of such Personal Data, (ii) request the correction or supplementation of Personal Data about him or her that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Personal Data no longer necessary for the purposes underlying the processing, processed based on withdrawn consent, processed for legitimate interests that, in the context of his or her objection, do not prove to be compelling, or processed in non-compliance with applicable legal requirements, (iv) request the Company to restrict the processing of his or her Personal Data in certain situations where Participant feels its processing is inappropriate, (v) object, in certain circumstances, to the processing of Personal Data for legitimate interests, and to (vi) request portability of Participant’s Personal Data that he or she has actively or passively provided to the Company (which does not include data derived or inferred from the collected data), where the processing of such Personal Data is based on consent or his or her service and is carried out by automated means. In case of concerns, Participant understands that he or she may also have the right to lodge a complaint with the competent local data protection authority. Further, to receive clarification of, or to exercise any of, Participant’s rights, Participant understands that he or she should contact stockplanservices@gilead.com.

4. **Responsibility for Taxes.**

(a) Participant acknowledges that, regardless of any action the Company and/or any Related Entity take with respect to any or all Withholding Taxes related to Participant's participation in the Plan and legally applicable to Participant, the ultimate liability for all Withholding Taxes is and remains Participant’s responsibility and may exceed the amount, if any, actually withheld by the Company or any Related Entity. Participant further acknowledges that the Company and/or any Related Entity (i) make no representations or undertakings regarding the treatment of any Withholding Taxes in connection with any aspect of the Award, including the grant, vesting or settlement of the Award, the issuance of Shares upon settlement of the Award, the subsequent sale of Shares acquired pursuant to such issuance and the receipt of any dividends and/or dividend equivalent amounts; and (ii) do not commit to, and are under no obligation to, structure the terms of the grant or any aspect of the Award to reduce or eliminate Participant’s liability for Withholding Taxes or achieve any particular tax result. Further, if Participant has become subject to Withholding Taxes in more than one jurisdiction, Participant acknowledges that the Company and/or any Related Entity may be required to withhold or account for Withholding Taxes in more than one jurisdiction.

(b) Unless Participant elects to remit to the Company the amount of Withholding Taxes due in connection with the Award by submitting the election form to the
Company within forty-five (45) days prior to the Normal Vesting Date, the Company shall collect, and Participant authorizes the Company to collect, the Withholding Taxes with respect to the issued Shares through an automatic Share Withholding Method pursuant to which the Company will withhold, immediately as the Shares are issued under the Award, a portion of those Shares with a fair market value (measured as of the issuance date) equal to the amount of such Withholding Taxes. Participant shall be notified (in writing or through the Company’s electronic mail system) in the event the Company no longer intends to utilize the Share Withholding Method.

(c) Should any Shares become issuable under the Award at a time when the Share Withholding Method is no longer utilized, then the Withholding Taxes shall be collected from Participant through either of the following alternatives:

- Participant’s delivery of his or her separate check payable to the Company in the amount of such Withholding Taxes or a wire transfer from Participant of sufficient funds to the Company to cover the amount of such Withholding Taxes, or

- the use of the proceeds from a next-day sale of the Shares issued or issuable to Participant, provided and only if (i) such a sale is permissible under the Company’s trading policies governing the sale of Common Stock, (ii) Participant makes an irrevocable commitment, on or before the issuance date for those Shares, to effect such sale of the Shares and (iii) the transaction is not otherwise deemed to constitute a prohibited loan under Section 402 of the Sarbanes-Oxley Act of 2002.

(d) If the Share Withholding Method is to be utilized for the collection of Withholding Taxes, then the Company shall withhold the number of otherwise issuable Shares necessary to satisfy the Withholding Taxes. Participant shall have no right to the Common Stock equivalent of any Shares withheld to satisfy the Withholding Taxes. Participant may seek a refund from the applicable tax authorities for any over-withheld amount. If the obligation for Withholding Taxes is satisfied by using the Share Withholding Method, for tax purposes, Participant will be deemed to have been issued the full number of Shares subject to the vested Award, notwithstanding that a number of the Shares are withheld solely for the purpose of paying the Withholding Taxes due as a result of Participant’s participation in the Plan. Participant shall pay to the Company and/or any Related Entity any amount of Withholding Taxes that the Company and/or any Related Entity may be required to withhold or account for as a result of Participant’s participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if Participant fails to comply with Participant’s obligations in connection with the Withholding Taxes.

(e) Notwithstanding the above, the Company may collect the Withholding Taxes with respect to the distributed dividend equivalent amounts by withholding a portion of that distribution equal to the amount of the Withholding Taxes.
5. **Foreign Account / Assets Reporting.** Depending upon the country to which laws Participant is subject, Participant may have certain foreign asset and/or account reporting requirements that may affect Participant’s ability to acquire or hold Shares under the Plan or cash received from participating in the Plan (including from any dividends or dividend equivalent amounts received or sale proceeds arising from the sale of Shares) in a brokerage or bank account outside Participant’s country. Participant’s country may require that he or she report such accounts, assets or transactions to the applicable authorities in Participant’s country. Participant is responsible for knowledge of and compliance with any such regulations and should speak with his or her own personal tax, legal and financial advisors regarding same.

6. **Language.** By electing to accept this Agreement, Participant acknowledges that he or she is sufficiently proficient in English, or has consulted with an advisor who is sufficiently proficient in English so as to allow Participant, to understand the terms and conditions of this Agreement. Further, if Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.
Appendix C

Country-Specific Provisions

Terms and Conditions

This Appendix C includes special terms and conditions that govern the Restricted Stock Units granted to Participant if Participant resides in one of the countries listed herein. Capitalized terms used but not defined herein shall have the meanings assigned to them in the Agreement (of which this Appendix C is a part) and the Plan.

Notifications

This Appendix C may also include information regarding exchange controls and certain other issues of which Participant should be aware with respect to Participant’s participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of May 2020. Such laws are often complex and change frequently. As a result, the Company strongly recommends that Participant not rely on the information noted herein as the only source of information relating to the consequences of Participant’s participation in the Plan because the information may be out of date at the time Participant vests in the Restricted Stock Units or sells Shares he or she acquires under the Plan.

In addition, the information is general in nature and may not apply to Participant’s particular situation, and the Company is not in a position to assure Participant of any particular result. Accordingly, Participant is strongly advised to seek appropriate professional advice as to how the relevant laws in Participant’s country apply to his or her specific situation.

If Participant is a citizen or resident of another country, relocated to another country after the Award Date, or is considered a resident of another country for local law purposes, the information contained in this Appendix C may not be applicable to him or her.

Malta

Terms and Conditions

Securities Law Warning. Participant acknowledges, understands and agrees that the Award, the Agreement, the Plan and all other materials Participant may receive regarding his or her participation in the Plan do not constitute advertising or an offering of securities in Malta and are deemed accepted by Participant only upon receipt of Participant’s electronic or written acceptance in the United States. The issuance of the Shares under the Plan has not and will not be registered in Malta and, therefore, the
Shares described in any Plan documents may not be offered or placed in public circulation in Malta.

Participant further acknowledges, understands and agrees that in no event will Shares acquired upon vesting or settlement of the Award be delivered to Participant in Malta; all Shares acquired upon vesting or settlement of the Award will be maintained on Participant’s behalf in the United States.

Singapore

Notifications

Securities Law Notice. The grant of the Restricted Stock Units is being made pursuant to the “Qualifying Person” exemption under section 273(1)(f) of the Securities and Futures Act (Chapter 289, 2006 Ed.) (“SFA”) under which it is exempt from the prospectus and registration requirements under the SFA and the grant of the Restricted Stock Units is not made to Participant with a view to the Shares being subsequently offered for sale to any other party. The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore. Participant should note that the Restricted Stock Units are subject to section 257 of the SFA and Participant should not make (i) any subsequent sale of the Shares in Singapore, or (ii) any offer of such subsequent sale of the Shares in Singapore, unless such sale or offer is made: (a) more than six months after the Award Date or (b) pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA, or pursuant to, and in accordance with the conditions of, any applicable provisions of the SFA.
EXHIBIT 10.26

GILEAD SCIENCES, INC.
STOCK OPTION AGREEMENT

RECITALS

A. Optionee is to render valuable services to the Company as a non-employee Director and this Stock Option Agreement (this “Agreement”) is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Company’s grant of an option to Optionee in his or her capacity as a non-employee Director.

B. All capitalized terms used in this Agreement shall have the meaning assigned to them herein and in the attached Appendix A. Capitalized terms not defined herein or in the attached Appendix A shall have the meanings assigned to them in the Plan.

NOW, THEREFORE, the Company hereby grants this option to Optionee upon the following terms and conditions:

1. Grant of Option. The Company hereby grants to Optionee, as of the Grant Date indicated below, an option to purchase the Option Shares under the Plan. The number of Option Shares purchasable under the option, the Exercise Price per Share and the remaining terms and conditions governing the option shall be as set forth in this Agreement.

AWARD SUMMARY

Optionee: [First Name, Last Name]

Grant Date: [Date]

Exercise Price: $[XX.XX] per share

Number of Option Shares: [__] shares of Common Stock

Expiration Date: [Date]

Type of Option: Non-Statutory Stock Option

Vesting Schedule: The option shall vest and become exercisable for the Option Shares in four (4) successive equal quarterly installments upon Optionee’s completion of each quarter of Continuous Service over the one (1) year period measured from the Grant Date; provided, however, that if the next regular annual stockholders meeting following the Grant Date occurs prior to the quarterly vesting date of the last installment, such last installment shall instead vest on the day immediately preceding such stockholders meeting provided Optionee remains in Continuous Service through such day.

2. Option Term. The term of the option shall commence on the Grant Date and continue to be in effect until the close of business on the last business day prior to the
Expiration Date (whether such day is a business day, holiday or weekend), unless sooner terminated in accordance with Paragraph 5 or 6 below.

3. **Limited Transferability.** Prior to actual receipt of the Shares upon exercise of this option, Optionee may not transfer or assign any interest in the option or the underlying Shares, except that the option may be assigned in whole or in part during Optionee’s lifetime to one or more members of Optionee’s Immediate Family, provided such assignment constitutes a gratuitous transfer by Optionee for which no consideration is directly or indirectly received. The assigned portion may only be exercised by the person who acquires a proprietary interest in the option pursuant to the assignment. The terms applicable to the assigned portion shall be the same as those in effect for the option immediately prior to such assignment and shall be set forth in such documents to be executed by Optionee and the assignee as the Company may deem appropriate. The option may also be transferred to a designated beneficiary or by will or the laws of inheritance upon Participant’s death.

4. **Dates of Exercise.** The option shall become exercisable for the Option Shares in a series of installments over Optionee’s period of Continuous Service in accordance with the Vesting Schedule set forth in Paragraph 1 above. As the option becomes exercisable for such installments, those installments shall accumulate, and the option shall remain exercisable for the accumulated installments until (i) the close of business on the last business day prior to the Expiration Date or (ii) the sooner termination of the option term under Paragraph 5 or 6 below.

5. **Cessation of Service.** The option term specified in Paragraph 2 above shall terminate (and the option shall cease to be outstanding) prior to the Expiration Date should any of the following provisions become applicable:

   (a) Except as otherwise expressly provided in subparagraphs (b) through (d) of this Paragraph 5, should Optionee cease to remain in Continuous Service for any reason while the option is outstanding, then Optionee shall have until the close of business on the last business day prior to the expiration of the three-(3) year period measured from the date of such cessation of Continuous Service during which to exercise the option for any or all of the Option Shares for which the option is at the time of such cessation of Continuous Service vested and exercisable, but in no event shall the option be exercisable at any time after the close of business on the last business day prior to the Expiration Date.

   (b) Should Optionee’s Continuous Service terminate by reason of his or her death while the option is outstanding, then the Option Shares shall fully vest and the option may be exercised for any or all of the Option Shares at the time subject to the option by the person or persons to whom the option is transferred during Optionee’s lifetime pursuant to a permitted transfer under Paragraph 3 above or, in the absence of any such transfer, by: (i) the designated beneficiary or beneficiaries under any beneficiary designation in effect for the option at the time of Optionee’s death, (ii) the personal representative of Optionee’s estate, or (iii) the person or persons to whom the option is transferred pursuant to Optionee’s will or the laws of inheritance following Optionee’s death, as the case may be. Any right to exercise the option shall lapse, and the option shall cease to be outstanding, upon the close of business on the last
business day prior to the earlier of (i) the expiration of the three-(3) year period measured from the date of Optionee’s death or (ii) the Expiration Date. Upon the expiration of such limited exercise period, the option shall terminate and cease to be outstanding for any exercisable Option Shares for which the option has not otherwise been exercised.

(c) The applicable period of post-service exercisability in effect pursuant to the foregoing provisions of this Paragraph 5 shall automatically be extended by an additional period of time equal in duration to any interval within such post-service exercise period during which the exercise of the option or the immediate sale of the Option Shares acquired under the option cannot be effected in compliance with applicable federal, state and foreign securities laws, but in no event shall such an extension result in the continuation of the option beyond the close of business on the last business day prior to the Expiration Date.

(d) Should Optionee’s Continuous Service terminate for Cause, or should Optionee engage in any other conduct, while in such service or following cessation of Continuous Service, that is materially detrimental to the business or affairs of the Company (or any Related Entity), as determined in the sole discretion of the Administrator, then the option shall terminate immediately and cease to be outstanding.

(e) For purposes of the foregoing provisions of this Paragraph 5, Optionee shall not be deemed to cease Continuous Service if Optionee continues to serve the Company as a Director Emeritus immediately following his or her cessation of service as a Board member without an intervening break in Continuous Service.

(f) During the limited period of post-service exercisability provided under this Paragraph 5, the option may not be exercised in the aggregate for more than the number of Option Shares for which the option is at the time vested and exercisable. Except to the extent (if any) specifically authorized by the Administrator pursuant to an express written agreement with Optionee, the option shall not vest or become exercisable for any additional Option Shares, whether pursuant to the exercise/vesting schedule set forth in Paragraph 1 above or the special vesting acceleration provisions of Paragraph 6 below, following Optionee’s cessation of Continuous Service. Upon the expiration of such limited exercise period or (if earlier) upon the close of business on the last business day prior to the Expiration Date, the option shall terminate and cease to be outstanding for any exercisable Option Shares for which the option has not otherwise been exercised.

6. Change in Control.

(a) Should Optionee remain in Continuous Service until the effective date of a Change in Control, then the option, to the extent outstanding at the time but not otherwise fully exercisable, shall automatically accelerate so that the option shall, immediately prior to the effective date of the Change in Control, become exercisable for all of the Option Shares at the time subject to the option, and may be exercised for any or all of those Option Shares as fully vested shares of Common Stock.
(b) Immediately following the consummation of a Change in Control transaction, the option shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) or otherwise continued in effect pursuant to the terms of the Change in Control transaction.

(c) If the option is assumed in connection with a Change in Control or otherwise continued in effect, then the option shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities into which the shares of Common Stock subject to the option would have been converted in consummation of such Change in Control had those shares actually been outstanding at the time. Appropriate adjustments shall also be made to the Exercise Price, provided the aggregate Exercise Price shall remain the same. To the extent the actual holders of the Company’s outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation may, in connection with the assumption or continuation of the option but subject to the Administrator’s approval, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control, provided such common stock is readily tradable on an established U.S. securities exchange or market.

(d) This Agreement shall not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

7. **Adjustment in Option Shares.** Should any change be made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction, extraordinary dividend or distribution or other change affecting the outstanding Common Stock as a class without the Company’s receipt of consideration, or should the value of the outstanding shares of Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation or other reorganization, then equitable and proportional adjustments shall be made by the Administrator to (i) the total number and/or class of securities subject to the option and (ii) the Exercise Price. The adjustments shall be made in such manner as the Administrator deems appropriate in order to reflect such change and thereby prevent the dilution or enlargement of benefits hereunder, and those adjustments shall be final, binding and conclusive upon Optionee and any other person or persons having or claiming an interest in the option. In the event of any Change in Control transaction, the adjustment provisions of Paragraph 6(c) above shall be controlling.

8. **Stockholder Rights.** The holder of the option shall not have any stockholder rights including voting, dividend, or liquidation rights with respect to the Option Shares until such person shall have exercised the option, paid the Exercise Price and become a holder of record of the purchased Shares.

9. **Manner of Exercising Option.**
(a) In order to exercise the option with respect to all or any portion of the Option Shares for which the option is at the time vested and exercisable, Optionee (or any other person or persons exercising the option) must take the following actions:

   (i) Execute and deliver to the Company a Notice of Exercise as to the Option Shares for which the option is exercised or comply with such other procedures as the Company may establish for notifying the Company, directly or through a brokerage firm authorized by the Company to effect option exercises, of the exercise of the option for one or more Option Shares. The applicable Notice of Exercise may be obtained upon request through stockplanservices@gilead.com.

   (ii) Pay the aggregate Exercise Price for the purchased Shares in one or more of the following forms:

      (A) cash or check made payable to the Company; or

      (B) through a special sale and remittance procedure pursuant to which Optionee (or any other person or persons exercising the option) shall concurrently provide irrevocable instructions (i) to a brokerage firm (reasonably satisfactory to the Company for purposes of administering such procedure in accordance with the Company’s pre-clearance/pre-notification policies) to effect the immediate sale of all or a sufficient portion of the purchased Shares so that such brokerage firm can remit to the Company, on the settlement date, sufficient funds out of the resulting sale proceeds to cover the aggregate Exercise Price payable for all the purchased Shares plus any Withholding Taxes and (ii) to the Company to deliver the purchased Shares directly to such brokerage firm on such settlement date.

   Except to the extent the sale and remittance procedure is utilized in connection with the option exercise, payment of the Exercise Price must accompany the Notice of Exercise (or other notification procedure) delivered to the Company in connection with the option exercise.

   (iii) Furnish to the Company appropriate documentation that the person or persons exercising the option (if other than Optionee) have the right to exercise the option.

   (iv) Make appropriate arrangements with the Company (or Related Entity employing or retaining Optionee) for the satisfaction of any Withholding Taxes.

(b) On or as promptly as practicable after the Exercise Date, the Company shall issue to or on behalf of Optionee (or any other person or persons exercising the
option) a certificate for the purchased Option Shares (either in paper or electronic form), with the appropriate legends affixed thereto.

(c) In no event may the option be exercised for any fractional shares.

10. Compliance with Laws and Regulations.

(a) The exercise of the option and the issuance of the Option Shares upon such exercise shall be subject to compliance by the Company and Optionee with all Applicable Laws relating thereto, as determined by counsel for the Company.

(b) The inability of the Company to obtain approval from any regulatory body having authority deemed by the Company to be necessary to the lawful issuance and sale of any Common Stock pursuant to the option shall relieve the Company of any liability with respect to the non-issuance or sale of the Common Stock as to which such approval shall not have been obtained. The Company, however, shall use its reasonable best efforts to obtain all such approvals.

(c) Optionee may be subject to insider trading restrictions and/or market abuse laws based on the exchange on which the shares of Common Stock are listed and in applicable jurisdictions including the United States and Optionee’s country or his or her broker’s country, if different, which may affect Optionee’s ability to accept, acquire, sell or otherwise dispose of shares of Common Stock, rights to shares of Common Stock (e.g., options) or rights linked to the value of shares of Common Stock during such times as Optionee is considered to have “inside information” regarding the Company (as defined by the laws in applicable jurisdictions). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders Optionee placed before he or she possessed inside information. Furthermore, Optionee could be prohibited from (i) disclosing the inside information to any third party, which may include fellow employees and (ii) “tipping” third parties or causing them otherwise to buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable insider trading policy of the Company. Optionee acknowledges that it is Optionee’s responsibility to comply with any applicable restrictions and Optionee should speak with his or her personal legal advisor on this matter.

11. Successors and Assigns. Except to the extent otherwise provided in Paragraphs 3 and 6 above, the provisions of this Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns and Optionee, Optionee’s assigns, the legal representatives, heirs and legatees of Optionee’s estate and, designated beneficiaries.

12. Notices. Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Company at its principal corporate offices. Any notice required to be given or delivered to Optionee shall be in writing and addressed to Optionee at the most current address then indicated for Optionee on the Company’s records or shall be delivered electronically to Optionee through the Company’s electronic mail system or through an on-line brokerage firm authorized by the Company to effect
option exercises through the internet. All notices shall be deemed effective upon personal delivery or electronic delivery as specified above or upon deposit in the U.S. or local country mail, postage prepaid and properly addressed to the party to be notified.

13. **Construction.** This Agreement and the option evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. In the event of any conflict between the provisions of this Agreement and the terms of the Plan, the terms of the Plan shall be controlling. All decisions of the Administrator with respect to any question or issue arising under the Plan or this Agreement shall be conclusive and binding on all persons having an interest in the option.

14. **Governing Law and Venue.**

   (a) The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of Delaware without resort to that State’s conflict-of-laws rules.

   (b) For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the option and this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of San Mateo County, California, or the federal courts for the Northern District of California, and no other courts where the grant of the option is made and/or to be performed.

15. **Severability.** The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

16. **Waiver.** Optionee acknowledges that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach of this Agreement.

17. **Excess Shares.** If the Option Shares covered by this Agreement exceed, as of the Grant Date, the number of shares of Common Stock which may without stockholder approval be issued under the Plan, then the option shall be void with respect to those excess shares, unless stockholder approval of an amendment sufficiently increasing the number of shares of Common Stock issuable under the Plan is obtained in accordance with the provisions of the Plan. In no event shall the option be exercisable with respect to any of the excess Option Shares unless and until such stockholder approval is obtained.

18. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Optionee’s participation in the Plan or Optionee’s acquisition or sale of the Option Shares. Optionee is hereby advised to consult with his or her personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.
19. **No Impairment of Rights.** This Agreement shall not in any way be construed or interpreted so as to affect adversely or otherwise impair the right of the Company or its stockholders to remove Optionee from the Board at any time in accordance with the provisions of Applicable Law.

20. **Plan Prospectus.** The official prospectus for the Plan is attached if the option is the first option made to Optionee under the Plan. Optionee may obtain an additional printed copy of the prospectus by contacting Stock Plan Services at stockplanervices@gilead.com.

21. **Electronic Delivery and Acceptance.** The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. Optionee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

22. **Optionee Acceptance.** Optionee must accept the terms and conditions of this Agreement either electronically through the electronic acceptance procedure established by the Company or through a written acceptance delivered to the Company in a form satisfactory to the Company. In no event shall the option be exercised in the absence of such acceptance. An exercise of any portion of the Shares subject to this Option shall be deemed to be an acceptance by Optionee of the terms and conditions of this Agreement.

23. **Appendices B and C.** Notwithstanding any provision of this Agreement to the contrary, if Optionee resides in a country outside the United States or is otherwise subject to the laws of a country other than the United States, the option and any Option Shares acquired under the Plan shall be subject to the additional terms and conditions set forth in Appendix B to this Agreement and to any special terms and provisions as set forth in Appendix C for Optionee’s country, if any. Moreover, if Optionee relocates to one of the countries included in Appendix C, the special terms and conditions for such country will apply to Optionee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. Appendices B and C constitute part of this Agreement.

24. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on Optionee’s participation in the Plan, on the option and on any shares of Common Stock acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require Optionee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.
IN WITNESS WHEREOF, Gilead Sciences, Inc. has caused this Agreement to be executed on its behalf by its duly-authorized officer on the day and year first indicated above.

GILEAD SCIENCES, INC.
/s/ Jyoti Mehra
By: Jyoti Mehra
Title: EVP, Human Resources

OPTIONEE

By:

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APPENDIX A

DEFINITIONS

The following definitions shall be in effect under the Agreement:

A. **Cause** shall mean the termination of Optionee’s Continuous Service as a result of Optionee’s (i) performance of any act, or failure to perform any act, in bad faith and to the detriment of the Company; (ii) dishonesty, intentional misconduct, material breach of any fiduciary duty owed to the Company; (iii) commission of a crime involving dishonesty, breach of trust, or physical or emotional harm to any person; or (iv) reasons that are comparable to “cause” under labor laws in the jurisdiction where Optionee is providing service or the terms of Optionee’s service agreement, if any.

B. **Change in Control** shall mean a change in ownership or control of the Company effected through the consummation of any of the following transactions:

   (i) a sale, transfer or other disposition of all or substantially all of the Company’s assets;

   (ii) the closing of any transaction or series of related transactions (including without limitation a merger or reorganization in which the Company is the surviving entity) pursuant to which any person or any group of persons comprising a “group” within the meaning of Rule 13d-5(b)(1) of the Exchange Act (other than the Company or a person that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with, the Company) becomes directly or indirectly (whether as a result of a single acquisition or by reason of one or more acquisitions within the twelve (12)-month period ending with the most recent acquisition) the beneficial owner (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing (or convertible into or exercisable for securities possessing) more than fifty percent (50%) of the total combined voting power of the Company’s securities (as measured in terms of the power to vote with respect to the election of Board members) outstanding immediately after the consummation of such transaction or series of related transactions, whether such transaction involves a direct issuance from the Company, or the acquisition of outstanding securities held by one or more of the Company’s existing stockholders, or an acquisition, consolidation or other reorganization to which the Company is a party;

   (iii) a change in the composition of the Board over a period of twelve (12) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for
election as Board members during such period by at least a majority of the Board members described in clause (A) above who were still in office at the time the Board approved such election or nomination; or

(iv) the dissolution or liquidation of the Company or a merger, consolidation, or reorganization of the Company with one or more other entities in which the Company is not the surviving entity which results in any person or entity (other than the Company or a person or entity that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with, the Company) owning fifty percent (50%) or more of the combined voting power of all classes of stock of such surviving entity.

In no event, however, shall a Change in Control be deemed to occur upon a merger, consolidation or other reorganization effected primarily to change the State of the Company’s incorporation or to create a holding company structure pursuant to which the Company becomes a wholly-owned subsidiary of an entity whose outstanding voting securities immediately after its formation are beneficially owned, directly or indirectly, and in substantially the same proportion, by the persons who beneficially owned the Company’s outstanding voting securities immediately prior to the formation of such entity.

C. **Company** shall mean Gilead Sciences, Inc., a Delaware corporation, and any successor corporation to all or substantially all of the assets or voting stock of Gilead Sciences, Inc. which shall by appropriate action adopt the Plan.

D. **Continuous Service** shall mean the performance of services for the Company or a Related Entity (whether now existing or subsequently established) by a person in the capacity of an Employee, Director or Consultant. For purposes of this Agreement, Optionee shall be deemed to cease Continuous Service immediately upon the occurrence of either of the following events: (i) Optionee no longer performs services in any of the foregoing capacities for the Company or any Related Entity or (ii) the entity for which Optionee is performing such services ceases to remain a Related Entity of the Company, even though Optionee may subsequently continue to perform services for that entity. The Administrator shall have the exclusive discretion to determine when Optionee ceases Continuous Service for purposes of the option.

E. **Director** shall mean a member of the Board or a Director Emeritus.

F. **Exchange Act** shall mean the U.S. Securities Exchange Act of 1934, as amended from time to time.

G. **Exercise Date** shall mean the date on which the option shall have been exercised in accordance with Paragraph 9 of the Agreement.

H. **Exercise Price** shall mean the exercise price per Option Share as specified in Paragraph 1 of the Agreement.

I. **Expiration Date** shall mean the date specified in Paragraph 1 of the Agreement for measuring the maximum term for which the option may remain outstanding.
J. **Fair Market Value** per share of Common Stock on any relevant date shall be the closing price per share of Common Stock (or the closing bid, if no sales were reported) on that date, as quoted on the Stock Exchange that is at the time serving as the primary trading market for the Common Stock; provided, however, that if there is no reported closing price or closing bid for that date, then the closing price or closing bid, as applicable, for the last trading date on which such closing price or closing bid was quoted shall be determinative of such Fair Market Value. The applicable quoted price shall be as reported in The Wall Street Journal or such other source as the Administrator deems reliable.

K. **Grant Date** shall mean the date of grant of the option as specified in Paragraph 1 of the Agreement.

L. **Notice of Exercise** shall mean the notice of option exercise in the form prescribed by the Company.

M. **Option Shares** shall mean the number of shares of Common Stock subject to the option as specified in Paragraph 1 of the Agreement.

N. **Optionee** shall mean the person to whom the option is granted pursuant to the Agreement.

O. **Plan** shall mean the Company’s 2004 Equity Incentive Plan, as amended from time to time.

P. **Stock Exchange** shall mean the American Stock Exchange, the Nasdaq Global or Global Select Market or the New York Stock Exchange.

Q. **Withholding Taxes** shall mean any U.S. federal, state, local and/or foreign income taxes and Optionee’s portion of the U.S. federal, state, local and/or foreign employment taxes (including social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items), in each case, required or permitted to be withheld by the Company and/or any Related Entity in connection with any taxable event relating to the option or Optionee’s participation in the Plan, as determined by the Administrator.
APPENDIX B

TERMS AND CONDITIONS FOR NON-U.S. OPTIONEES

The provisions in this Appendix B apply to Optionees that reside in a country outside the United States or who are otherwise subject to the laws of a country other than the United States and supplement, amend or replace the provisions in the Agreement, as applicable:

1. **Transferability.** The following replaces Paragraph 3 of the Agreement in its entirety:

   The option shall be neither transferable nor assignable by Optionee other than by will or the laws of inheritance following Optionee’s death and may be exercised, during Optionee’s lifetime, only by Optionee.

2. **Acknowledgment of Nature of Plan and Option.** In accepting the option, Optionee acknowledges, understands and agrees that:

   (a) the Plan is established voluntarily by the Company, it is discretionary in nature, and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

   (b) the option is voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if options have been granted in the past;

   (c) all decisions with respect to future options or other grants, if any, will be at the sole discretion of the Company;

   (d) Optionee’s participation in the Plan is voluntary;

   (e) the option and the Option Shares are for future services only and should not be considered as compensation for past services for the Company (or any Related Entity);

   (f) the option and Optionee’s participation in the Plan will not be interpreted to form an employment relationship with the Company (or any Related Entity);

   (g) the future value of the Option Shares is unknown, indeterminable and cannot be predicted with any certainty;

   (h) if the Option Shares do not increase in value, the option will have no value;

   (i) if Optionee exercises his or her option and obtains Option Shares, the value of those Option Shares may increase or decrease in value, even below the Exercise Price;

   (j) no claim or entitlement to compensation or damages shall arise from forfeiture of the option resulting from termination of Optionee’s Continuous Service by the
Company (for any reason whatsoever, whether or not later found to be invalid or in breach of labor laws in the jurisdiction where Optionee is providing service or the terms of Optionee’s service agreement, if any), and in consideration of the grant of the option, Optionee irrevocably agrees not to institute any claim against the Company (or any Related Entity), waives his or her ability, if any, to bring any such claim, and releases the Company (or any Related Entity) from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, Optionee shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claim;

(k) unless otherwise provided in the Plan or by the Company in its discretion, the option and the benefits evidenced by this Agreement do not create any entitlement to have the option or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of the Company; and

(l) neither the Company nor any Related Entity shall be liable for any exchange rate fluctuation between Optionee’s local currency and the United States Dollar that may affect the value of the option or of any amounts due to Optionee pursuant to the exercise of the option or the subsequent sale of any Option Shares acquired upon exercise.

3. **Data Privacy.**

(a) **Data Privacy Consent.** By accepting this Agreement either electronically through the electronic acceptance procedure established by the Company or through a written acceptance, Optionee is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Personal Data (as defined below) by the Company and the transfer of Personal Data to the recipients mentioned herein, including recipients located in countries which do not adduce an adequate level of protection from a European (or other) data protection law perspective, for the purposes described herein.

(b) **Declaration of Consent.** Optionee understands that he or she needs to review the following information about the processing of his or her personal data by or on behalf of the Company and/or any Related Entity as described in the Agreement and any other Plan materials (the “Personal Data”) and declare his or her consent. As regards the processing of Optionee’s Personal Data in connection with the Plan and this Agreement, Optionee understands that the Company is the controller of his or her Personal Data.

(c) **Data Processing and Legal Basis.** The Company collects, uses and otherwise processes Personal Data about Optionee for the purposes of allocating shares of Common Stock and implementing, administering and managing the Plan. Optionee understands that this Personal Data may include, without limitation, his or her name, home address and telephone number, email address, date of birth, social insurance number, passport number or other identification number (e.g., resident registration number), remuneration, nationality, job title, any shares of stock or directorships held in the Company, details of all options or any other entitlement to shares of stock or equivalent benefits awarded, cancelled, exercised, vested,
unvested or outstanding in Optionee’s favor. The legal basis for the processing of Optionee’s Personal Data, where required, will be his or her consent.

(d) **Stock Plan Administration Service Providers.** Optionee understands that the Company transfers his or her Personal Data, or parts thereof, to E*TRADE Financial Services, Inc. (and its affiliated companies), an independent service provider based in the United States which assists the Company with the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and share Optionee’s Personal Data with such different service provider that serves the Company in a similar manner. Optionee understands and acknowledges that the Company’s service provider will open an account for him or her to receive and trade shares of Common Stock acquired under the Plan and that he or she will be asked to agree on separate terms and data processing practices with the service provider, which is a condition of Optionee’s ability to participate in the Plan.

(e) **International Data Transfers.** Optionee understands that the Company and, as of the date hereof, any third parties assisting in the implementation, administration and management of the Plan, such as E*TRADE Financial Services, Inc., are based in the United States. Optionee understands and acknowledges that his or her country may have enacted data privacy laws that are different from the laws of the United States. For example, the European Commission has issued only a limited adequacy finding with respect to the United States that applies solely if and to the extent that companies self-certify and remain self-certified under the EU/U.S. Privacy Shield program. The Company currently participates in the EU/U.S. Privacy Shield Program, though third parties implementing, administering, and managing the Plan may not. The Company’s legal basis for the transfer of Optionee’s Personal Data is his or her consent.

(f) **Data Retention.** Optionee understands that the Company will use his or her Personal Data only as long as is necessary to implement, administer and manage his or her participation in the Plan, or to comply with legal or regulatory obligations, including under tax and securities laws. In the latter case, Optionee understands and acknowledges that the Company’s legal basis for the processing of his or her Personal Data would be compliance with the relevant laws or regulations. When the Company no longer needs Optionee’s Personal Data for any of the above purposes, Optionee understands the Company will remove it from its systems.

(g) **Voluntariness and Consequences of Denial/Withdrawal of Consent.** Optionee understands that his or her participation in the Plan and his or her consent is purely voluntary. Optionee may deny or later withdraw his or her consent at any time, with future effect and for any or no reason. If Optionee denies or later withdraws his or her consent, the Company can no longer offer Optionee participation in the Plan or offer other equity awards to Optionee or administer or maintain such awards and Optionee would no longer be able to participate in the Plan. Optionee further understands that denial or withdrawal of his or her consent would not affect his or her status or remuneration as a non-employee Director and that Optionee would merely forfeit the opportunities associated with the Plan.

(h) **Data Subject Rights.** Optionee understands that data subject rights regarding the processing of Personal Data vary depending on the applicable law and that,
depending on where Optionee is based and subject to the conditions set out in the applicable law, Optionee may have, without
limitation, the rights to (i) inquire whether and what kind of Personal Data the Company holds about him or her and how it is
processed, and to access or request copies of such Personal Data, (ii) request the correction or supplementation of Personal Data
about him or her that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the
erasure of Personal Data no longer necessary for the purposes underlying the processing, processed based on withdrawn consent,
processed for legitimate interests that, in the context of his or her objection, do not prove to be compelling, or processed in non-
compliance with applicable legal requirements, (iv) request the Company to restrict the processing of his or her Personal Data in
certain situations where Optionee feels its processing is inappropriate, (v) object, in certain circumstances, to the processing of
Personal Data for legitimate interests, and to (vi) request portability of Optionee’s Personal Data that he or she has actively or
passively provided to the Company (which does not include data derived or inferred from the collected data), where the
processing of such Personal Data is based on consent or his or her service and is carried out by automated means. In case of
concerns, Optionee understands that he or she may also have the right to lodge a complaint with the competent local data
protection authority. Further, to receive clarification of, or to exercise any of, Optionee’s rights, Optionee understands that he or
she should contact stockplanservices@gilead.com.

4. **Withholding Taxes.**

   (a) **Optionee acknowledges that, regardless** of any action the Company and/or any Related Entity take with respect to any or all Withholding Taxes, the ultimate liability for all Withholding Taxes legally due by Optionee is and remains Optionee’s responsibility and may exceed the amount, if any, actually withheld by the Company or any Related Entity. Optionee further acknowledges that the Company and/or any Related Entity (i) make no representations or undertakings regarding the treatment of any Withholding Taxes in connection with any aspect of the option, including the grant, vesting or exercise of the options, the subsequent sale of any Option Shares and the receipt of any dividends; and (ii) do not commit to, and are under no obligation to, structure the terms of the grant or any aspect of the option to reduce or eliminate Optionee’s liability for Withholding Taxes or achieve any particular tax result. Further, if Optionee has become subject to Withholding Taxes in more than one jurisdiction, Optionee acknowledges that the Company and/or any Related Entity may be required to withhold or account for Withholding Taxes in more than one jurisdiction.

   (b) Prior to any relevant taxable or tax withholding event, as applicable, Optionee shall pay or make arrangements satisfactory to the Company to satisfy all Withholding Taxes, including (without limitation) Optionee’s delivery of a check payable to the order of the Company in the amount of such Withholding Taxes or a wire transfer from Optionee of sufficient funds to the Company to cover the amount of such Withholding Taxes. In this regard, Optionee authorizes the Company, or its agents, at their discretion, to satisfy the obligations with regard to all Withholding Taxes by one or a combination of the following:

   (i) withholding from any cash compensation or other remuneration paid to Optionee by the Company; or
(ii) withholding from the proceeds of the sale by Optionee of all or a portion of the Option Shares effected in a manner similar to the sale and remittance procedure described in Paragraph 9(a)(ii)(B) of this Agreement.

The Company may refuse to issue or deliver the purchased Option Shares or the proceeds of the sale of shares, if Optionee fails to comply with Optionee’s obligations in connection with the Withholding Taxes.

5. Foreign Account / Assets Reporting. Depending upon the country to which laws Optionee is subject, Optionee may have certain foreign asset and/or account reporting requirements that may affect Optionee’s ability to acquire or hold shares of Common Stock under the Plan or cash received from participating in the Plan (including from any dividends or sale proceeds arising from the sale of shares of Common Stock) in a brokerage or bank account outside Optionee’s country. Optionee’s country may require that he or she report such accounts, assets or transactions to the applicable authorities in Optionee’s country. Optionee is responsible for knowledge of and compliance with any such regulations and should speak with his or her own personal tax, legal and financial advisors regarding same.

6. Language. By electing to accept this Agreement, Optionee acknowledges that he or she is sufficiently proficient in English, or has consulted with an advisor who is sufficiently proficient in English so as to allow Optionee, to understand the terms and conditions of this Agreement. Further, if Optionee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.
Appendix C

Country-Specific Provisions

Terms and Conditions

This Appendix C includes special terms and conditions that govern the options granted to Optionee if Optionee resides in one of the countries listed herein. Capitalized terms used but not defined herein shall have the meanings assigned to them in the Agreement (of which this Appendix C is a part) and the Plan.

Notifications

This Appendix C may also include information regarding exchange controls and certain other issues of which Optionee should be aware with respect to Optionee’s participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of May 2020. Such laws are often complex and change frequently. As a result, the Company strongly recommends that Optionee not rely on the information noted herein as the only source of information relating to the consequences of Optionee’s participation in the Plan because the information may be out of date at the time Optionee exercises the options or sells shares of Common Stock he or she acquires under the Plan.

In addition, the information is general in nature and may not apply to Optionee’s particular situation, and the Company is not in a position to assure Optionee of any particular result. Accordingly, Optionee is strongly advised to seek appropriate professional advice as to how the relevant laws in Optionee’s country apply to his or her specific situation.

If Optionee is a citizen or resident of another country, relocated to another country after the Grant Date, or is considered a resident of another country for local law purposes, the information contained in this Appendix C may not be applicable to him or her.

Malta

Terms and Conditions

Securities Law Warning. Optionee acknowledges, understands and agrees that the option, the Agreement, the Plan and all other materials Optionee may receive regarding his or her participation in the Plan do not constitute advertising or an offering of securities in Malta and are deemed accepted by Optionee only upon receipt of Optionee’s electronic or written acceptance in the United States. The issuance of the shares of Common Stock under the Plan has not and will not be registered in Malta and, therefore, the shares described in any Plan documents may not be offered or placed in public circulation in Malta.
Optionee further acknowledges, understands and agrees that in no event will shares of Common Stock acquired upon exercise of
the option be delivered to Optionee in Malta; all shares acquired upon exercise of the Option will be maintained on Optionee's
behalf in the United States.

**Singapore**

**Notifications**

**Securities Law Notice.** The grant of the option is being made pursuant to the “Qualifying Person” exemption under section
273(1)(f) of the Securities and Futures Act (Chapter 289, 2006 Ed.) (“SFA”) under which it is exempt from the prospectus and
registration requirements under the SFA and the grant is not made to Optionee with a view to the shares being subsequently
offered for sale to any other party. The Plan has not been lodged or registered as a prospectus with the Monetary Authority of
Singapore. Optionee should note that the option is subject to section 257 of the SFA and Optionee should not make (i) any
subsequent sale of the shares in Singapore, or (ii) any offer of such subsequent sale of the shares in Singapore, unless such sale or
offer is made: (a) more than six months after the Grant Date or (b) pursuant to the exemptions under Part XIII Division (1)
Subdivision (4) (other than section 280) of the SFA, or pursuant to, and in accordance with the conditions of, any applicable
provisions of the SFA.

C-2
Gilead Sciences, Inc.

2018 Equity Incentive Plan

(Amended and Restated Effective April 7, 2020)

1. GENERAL.

(a) Eligible Award Recipients. Employees, Directors and Consultants are eligible to receive Awards, other than any individual who served in such capacity with the Company immediately prior to the time that the Plan was assumed by Gilead Sciences, Inc.

(b) Available Awards. The Plan provides for the grant of the following Awards: (i) Incentive Stock Options, (ii) Nonstatutory Stock Options, (iii) Stock Appreciation Rights (iv) Restricted Stock Awards, (v) Restricted Stock Unit Awards, (vi) Performance Stock Awards, (vii) Performance Cash Awards, and (viii) Other Stock Awards.

(c) Purpose. The Plan was originally adopted as the Forty-Seven, Inc. 2018 Equity Incentive Plan, and was assumed by Gilead Sciences, Inc. as of the Assumption Date. The Plan, through the grant of Awards, is intended to help the Company secure and retain the services of eligible award recipients, provide incentives for such persons to exert maximum efforts for the success of the Company and any Affiliate, and provide a means by which the eligible recipients may benefit from increases in value of the Common Stock.

2. ADMINISTRATION.

(a) Administration by Board. The Board will administer the Plan. The Board may delegate administration of the Plan to a Committee or Committees, as provided in Section 2(c).

(b) Powers of Board. The Board will have the power, subject to, and within the limitations of, the express provisions of the Plan:

   (i) To determine: (A) who will be granted Awards; (B) when and how each Award will be granted; (C) what type of Award will be granted; (D) the provisions of each Award (which need not be identical), including when a person will be permitted to exercise or otherwise receive cash or Common Stock under the Award; (E) the number of shares of Common Stock subject to, or the cash value of, an Award; and (F) the Fair Market Value applicable to a Stock Award.

   (ii) To construe and interpret the Plan and Awards granted under it, and to establish, amend and revoke rules and regulations for administration of the Plan and Awards. The Board, in the exercise of these powers, may correct any defect, omission or inconsistency in the Plan or in any Award Agreement or in the written terms of a Performance Cash Award, in a manner and to the extent it will deem necessary or expedient to make the Plan or Award fully effective.
(iii) To settle all controversies regarding the Plan and Awards granted under it.

(iv) To accelerate, in whole or in part, the time at which an Award may be exercised or vest (or the time at which cash or shares of Common Stock may be issued in settlement thereof).

(v) To suspend or terminate the Plan at any time. Except as otherwise provided in the Plan or an Award Agreement, suspension or termination of the Plan will not impair a Participant’s rights under the Participant’s then-outstanding Award without the Participant’s written consent, except as provided in subsection (viii) below.

(vi) To amend the Plan in any respect the Board deems necessary or advisable, including, without limitation, by adopting amendments relating to Incentive Stock Options and certain nonqualified deferred compensation under Section 409A of the Code and/or to make the Plan or Awards granted under the Plan compliant with the requirements for Incentive Stock Options or exempt from, or compliant with, the requirements for nonqualified deferred compensation under Section 409A of the Code, subject to the limitations, if any, of applicable law. If required by applicable law or listing requirements, and except as provided in Section 9(a) relating to Capitalization Adjustments, the Company will seek stockholder approval of any amendment of the Plan that (A) materially increases the number of shares of Common Stock available for issuance under the Plan, (B) materially expands the class of individuals eligible to receive Awards under the Plan, (C) materially increases the benefits accruing to Participants under the Plan, (D) materially reduces the price at which shares of Common Stock may be issued or purchased under the Plan, (E) materially extends the term of the Plan, or (F) materially expands the types of Awards available for issuance under the Plan. Except as provided in the Plan (including subsection (viii) below) or an Award Agreement, no amendment of the Plan will impair a Participant’s rights under an outstanding Award unless (1) the Company requests the consent of the affected Participant, and (2) such Participant consents in writing.

(vii) To submit any amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of (A) Section 422 of the Code regarding “incentive stock options” or (B) Rule 16b-3.

(viii) To approve forms of Award Agreements for use under the Plan and to amend the terms of any one or more Awards, including, but not limited to, amendments to provide terms more favorable to the Participant than previously provided in the Award Agreement, subject to any specified limits in the Plan that are not subject to Board discretion; provided, however, that a Participant’s rights under any Award will not be impaired by any such amendment unless (A) the Company requests the consent of the affected Participant, and (B) such Participant consents in writing. Notwithstanding the foregoing, (1) a Participant’s rights will
not be deemed to have been impaired by any such amendment if the Board, in its sole discretion, determines that the amendment, taken as a whole, does not materially impair the Participant’s rights, and (2) subject to the limitations of applicable law, if any, the Board may amend the terms of any one or more Awards without the affected Participant’s consent (A) to maintain the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code; (B) to change the terms of an Incentive Stock Option, if such change results in impairment of the Award solely because it impairs the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code; (C) to clarify the manner of exemption from, or to bring the Award into compliance with, Section 409A of the Code; or (D) to comply with other applicable laws or listing requirements.

(ix) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the Plan or Awards.

(x) To adopt such rules, procedures and sub-plans related to the operation and administration of the Plan as are necessary or appropriate under local laws and regulations to permit participation in the Plan by Employees, Directors or Consultants who are foreign nationals or employed outside the United States (provided that Board approval will not be necessary for immaterial modifications to the Plan or any Award Agreement made to ensure or facilitate compliance with the laws or regulations of the relevant foreign jurisdiction).

(xi) Notwithstanding the foregoing, without the consent of stockholders of the Company, no Award may be repriced, replaced, regranted through cancellation, or modified (except as provided in Section 9(a) relating to Capitalization Adjustments) if the effect is to reduce the exercise or purchase price for the shares of Common Stock underlying such Award. In addition, the replacement or substitution of one Award for another Award is prohibited, absent stockholder consent, to the extent it has the effect of reducing the exercise or purchase price of the underlying shares of Common Stock. No Award with an exercise price per share in excess of the then current Fair Market Value per share of Common Stock may be cancelled or exchanged for a payment of cash, other Award, or other property, except in connection with a Corporate Transaction.

(c) Delegation to Committee.

(i) General. The Board may delegate some or all of the administration of the Plan to a Committee or Committees. If administration of the Plan is delegated to a Committee, the Committee will have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to a subcommittee of the Committee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board will thereafter be to the Committee or subcommittee, as applicable). Any delegation of
administrative powers will be reflected in resolutions, not inconsistent with the provisions of the Plan, adopted from time to time by the Board or Committee (as applicable). The Board may retain the authority to concurrently administer the Plan with the Committee and may, at any time, re vest in the Board some or all of the powers previously delegated.

(ii) **Rule 16b-3 Compliance.** The Committee may consist solely of two or more Non-Employee Directors, in accordance with Rule 16b-3.

(d) **Delegation to an Officer.** The Board may delegate to one (1) or more Officers the authority to do one or both of the following (i) designate Employees who are not Officers to be recipients of Options and SARs (and, to the extent permitted by applicable law, other Stock Awards) and, to the extent permitted by applicable law, the terms of such Awards, and (ii) determine the number of shares of Common Stock to be subject to such Stock Awards granted to such Employees; *provided, however,* that the Board resolutions regarding such delegation will specify the total number of shares of Common Stock that may be subject to the Stock Awards granted by such Officer and that such Officer may not grant a Stock Award to himself or herself. Any such Stock Awards will be granted on the form of Stock Award Agreement most recently approved for use by the Committee or the Board, unless otherwise provided in the resolutions approving the delegation authority. The Board may not delegate authority to an Officer who is acting solely in the capacity of an Officer (and not also as a Director) to determine the Fair Market Value pursuant to Section 12(w)(iii) below.

(e) **Effect of Board’s Decision.** All determinations, interpretations and constructions made by the Board in good faith will not be subject to review by any person and will be final, binding and conclusive on all persons.

3. **SHARES SUBJECT TO THE PLAN.**

(a) **Share Reserve.**

(i) Subject to Section 9(a) relating to Capitalization Adjustments, the aggregate number of shares of Common Stock that may be issued pursuant to Stock Awards granted on or after the Assumption Date will not exceed 12,069,378 shares (the “Share Reserve”), which equals (A) the number of shares of Common Stock available for issuance under the Plan on the Assumption Date multiplied by $95.50, divided by (B) the Fair Market Value of a share of Common Stock on the Assumption Date.

(ii) For clarity, the Share Reserve in this Section 3(a) is a limitation on the number of shares of Common Stock that may be issued pursuant to the Plan. As a single share may be subject to grant more than once (e.g., if a share subject to a Stock Award is forfeited, it may be made subject to grant again as provided in Section 3(b) below), the Share Reserve is not a limit on the number of Stock Awards that can be granted.

(iii) Shares may be issued in connection with a merger or acquisition as permitted by NASDAQ Listing Rule 5635(c) or, if applicable, NYSE Listed...
Company Manual Section 303A.08, AMEX Company Guide Section 711 or other applicable rule, and such issuance will not reduce the number of shares available for issuance under the Plan.

(b) **Reversion of Shares to the Share Reserve.** If a Stock Award or any portion thereof (i) expires or otherwise terminates without all of the shares covered by such Stock Award having been issued or (ii) is settled in cash (i.e., the Participant receives cash rather than stock), such expiration, termination or settlement will not reduce (or otherwise offset) the number of shares of Common Stock that may be available for issuance under the Plan. If any shares of Common Stock issued pursuant to a Stock Award are forfeited back to or repurchased by the Company because of the failure to meet a contingency or condition required to vest such shares in the Participant, then the shares that are forfeited or repurchased will revert to and again become available for issuance under the Plan. Any shares reacquired by the Company in satisfaction of tax withholding obligations on a Stock Award or as consideration for the exercise or purchase price of a Stock Award will again become available for issuance under the Plan.

(c) **Incentive Stock Option Limit.** Subject to the provisions of Section 9(a) relating to Capitalization Adjustments, the aggregate maximum number of shares of Common Stock that may be issued pursuant to the exercise of Incentive Stock Options will be will be a number of shares of Common Stock equal to the Share Reserve.

(d) **Limitation on Compensation of Non-Employee Directors.** The maximum number of shares of Common Stock subject to Stock Awards granted under this Plan or otherwise during any one year to any Non-Employee Director, taken together with any cash fees paid by the Company to such Non-Employee Director during such year for service on the Board, will not exceed U.S. $750,000 in total value (calculating the value of any such Stock Awards based on the grant date fair value of such Stock Awards for financial reporting purposes). Such limitation shall apply to both continuing Non-Employee Directors and newly-elected or appointed Non-Employee Directors. For the avoidance of doubt, cash compensation shall be counted towards this limit in the year earned (regardless of whether deferred), and any interest or other earnings on such compensation shall not count towards the limit.

(e) **Source of Shares.** The stock issuable under the Plan will be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Company on the open market or otherwise.

4. **ELIGIBILITY.**

(a) **Eligibility for Specific Stock Awards.** Incentive Stock Options may be granted only to employees of the Company or a “parent corporation” or “subsidiary corporation” thereof (as such terms are defined in Sections 424(e) and 424(f) of the Code). Stock Awards other than Incentive Stock Options may be granted to Employees, Directors and Consultants.

(b) **Ten Percent Stockholders.** A Ten Percent Stockholder will not be granted an Incentive Stock Option unless the exercise price of such Option is at least 110% of the Fair Market Value on the date of grant and the Option is not exercisable after the expiration of five years from the date of grant.
5. PROVISIONS RELATING TO OPTIONS AND STOCK APPRECIATION RIGHTS.

Each Option or SAR will be in such form and will contain such terms and conditions as the Board deems appropriate. All Options will be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates will be issued for shares of Common Stock purchased on exercise of each type of Option. If an Option is not specifically designated as an Incentive Stock Option, or if an Option is designated as an Incentive Stock Option but some portion or all of the Option fails to qualify as an Incentive Stock Option under the applicable rules, then the Option (or portion thereof) will be a Nonstatutory Stock Option. The provisions of separate Options or SARs need not be identical; provided, however, that each Award Agreement will conform to (through incorporation of provisions hereof by reference in the applicable Award Agreement or otherwise) the substance of each of the following provisions:

(a) **Term.** Subject to the provisions of Section 4(b) regarding Ten Percent Stockholders, no Option or SAR will be exercisable after the expiration of ten years from the date of its grant or such shorter period specified in the Award Agreement.

(b) **Exercise Price.** Subject to the provisions of Section 4(b) regarding Ten Percent Stockholders, the exercise or strike price of each Option or SAR will be not less than 100% of the Fair Market Value of the Common Stock subject to the Option or SAR on the date the Award is granted. Notwithstanding the foregoing, an Option or SAR may be granted with an exercise or strike price lower than 100% of the Fair Market Value of the Common Stock subject to the Award if such Award is granted pursuant to an assumption of or substitution for another option or stock appreciation right pursuant to a Corporate Transaction and in a manner consistent with the provisions of Section 409A of the Code and, if applicable, Section 424(a) of the Code. Each SAR will be denominated in shares of Common Stock equivalents.

(c) **Purchase Price for Options.** The purchase price of Common Stock acquired pursuant to the exercise of an Option may be paid, to the extent permitted by applicable law and as determined by the Board in its sole discretion, by any combination of the methods of payment set forth below. The Board will have the authority to grant Options that do not permit all of the following methods of payment (or otherwise restrict the ability to use certain methods) and to grant Options that require the consent of the Company to use a particular method of payment. The permitted methods of payment are as follows:

(i) by cash or check payable to the Company;

(ii) payment through a broker-dealer sale and remittance procedure pursuant to which the Participant (A) shall provide instructions (either in writing or electronically) to a Company designated brokerage firm (or, with respect to Participants subject to Section 16 of the Exchange Act, a broker reasonably satisfactory to the Company for purposes of administering such procedure in accordance with the Company’s pre-clearance/pre-notification policies) to effect the immediate sale of some or all of the purchased shares of Common Stock and remit to the Company on the settlement date sufficient funds to cover the
aggregate exercise price payable for the purchased shares of Common Stock and any applicable withholding taxes and (B) shall provide directives (either in writing or electronically) to the Company to deliver the certificates for the purchased shares of Common Stock directly to such brokerage firm on the settlement date in order to complete the sale transactions;

(iii) by delivery to the Company (either by actual delivery or attestation) of shares of Common Stock; or

(iv) any combination of the foregoing methods of payment.

(d) Exercise and Payment of a SAR. To exercise any outstanding SAR, the Participant must provide written notice of exercise to the Company in compliance with the provisions of the Stock Appreciation Right Agreement evidencing such SAR. The appreciation distribution payable on the exercise of a SAR will be not greater than an amount equal to the excess of (A) the aggregate Fair Market Value (on the date of the exercise of the SAR) of a number of shares of Common Stock equal to the number of Common Stock equivalents in which the Participant is vested under such SAR, and with respect to which the Participant is exercising the SAR on such date, over (B) the aggregate strike price of the number of Common Stock equivalents with respect to which the Participant is exercising the SAR on such date. The appreciation distribution may be paid in Common Stock, in cash, in any combination of the two or in any other form of consideration, as determined by the Board and contained in the Award Agreement evidencing such SAR.

(e) Transferability of Options and SARs. The Board may, in its sole discretion, impose such limitations on the transferability of Options and SARs as the Board will determine. In the absence of such a determination by the Board to the contrary, the following restrictions on the transferability of Options and SARs will apply:

(i) Restrictions on Transfer. An Option or SAR will not be transferable except by will or by the laws of descent and distribution (or pursuant to subsections (ii) and (iii) below), and will be exercisable during the lifetime of the Participant only by the Participant. The Board may permit transfer of the Option or SAR in a manner that is not prohibited by applicable laws or regulations. Except as explicitly provided in the Plan, neither an Option nor a SAR may be transferred for consideration.

(ii) Domestic Relations Orders. Subject to the approval of the Board or a duly authorized Officer, an Option or SAR may be transferred pursuant to the terms of a domestic relations order, official marital settlement agreement or other divorce or separation instrument as permitted by Treasury Regulations Section 1.421-1(b)(2) or comparable non-U.S. law. If an Option is an Incentive Stock Option, such Option may be deemed to be a Nonstatutory Stock Option as a result of such transfer.

(iii) Beneficiary Designation. Subject to the approval of the Board or a duly authorized Officer, a Participant may, by delivering written notice to the
Company or to any third party designated by the Company, in a form approved by the Company (or the designated broker), designate a third party who, upon the death of the Participant, will thereafter be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise. In the absence of such a designation, upon the death of the Participant, the executor or administrator of the Participant’s estate or the Participant’s legal heirs will be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise. However, the Company may prohibit designation of a beneficiary at any time, including due to any conclusion by the Company that such designation would be inconsistent with the provisions of applicable laws.

(f) **Vesting Generally.** The total number of shares of Common Stock subject to an Option or SAR may vest and become exercisable in periodic installments that may or may not be equal. The Option or SAR may be subject to such other terms and conditions on the time or times when it may or may not be exercised (which may be based on the satisfaction of Performance Goals or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options or SARs may vary. The provisions of this Section 5(f) are subject to any Option or SAR provisions governing the minimum number of shares of Common Stock as to which an Option or SAR may be exercised.

(g) **Termination of Continuous Service.** Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Company, if a Participant’s Continuous Service terminates (other than for Cause and other than upon the Participant’s death or Disability), the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Award as of the date of termination of Continuous Service) within the period of time ending on the earlier of (i) the date which occurs three (3) months following the termination of the Participant’s Continuous Service (or such longer or shorter period specified in the applicable Award Agreement), and (ii) the expiration of the term of the Option or SAR as set forth in the Award Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR (as applicable) within the applicable time frame, the Option or SAR will terminate.

(h) **Extension of Termination Date.** Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Company, if the exercise of an Option or SAR following the termination of the Participant’s Continuous Service (other than for Cause and other than upon the Participant’s death or Disability) would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act, then the Option or SAR will terminate on the earlier of (i) the expiration of a total period of time (that need not be consecutive) equal to the applicable post termination exercise period after the termination of the Participant’s Continuous Service during which the exercise of the Option or SAR would not be in violation of such registration requirements, and (ii) the expiration of the term of the Option or SAR as set forth in the applicable Award Agreement. In addition, unless otherwise provided in a Participant’s Award Agreement, if the sale of any Common Stock received upon exercise of an Option or SAR following the termination of the Participant’s Continuous Service (other than for Cause)
would violate the Company’s insider trading policy, then the Option or SAR will terminate on the earlier of (i) the expiration of the period of months (that need not be consecutive) equal to the applicable post-termination exercise period after the termination of the Participant’s Continuous Service during which the sale of the Common Stock received upon exercise of the Option or SAR would not be in violation of the Company’s insider trading policy, or (ii) the expiration of the term of the Option or SAR as set forth in the applicable Award Agreement.

(i) Disability of Participant. Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Company, if a Participant’s Continuous Service terminates as a result of the Participant’s Disability, the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Option or SAR as of the date of termination of Continuous Service), but only within such period of time ending on the earlier of (i) the date which occurs 12 months following such termination of Continuous Service (or such longer or shorter period specified in the Award Agreement), and (ii) the expiration of the term of the Option or SAR as set forth in the Award Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR within the applicable time frame, the Option or SAR (as applicable) will terminate.

(j) Death of Participant. Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Company, if (i) a Participant’s Continuous Service terminates as a result of the Participant’s death, or (ii) the Participant dies within the period (if any) specified in the Award Agreement for exercisability after the termination of the Participant’s Continuous Service for a reason other than death, then the Option or SAR may be exercised (to the extent the Participant was entitled to exercise such Option or SAR as of the date of death) by the Participant’s estate, by a person who acquired the right to exercise the Option or SAR by bequest or inheritance or by a person designated to exercise the Option or SAR upon the Participant’s death, but only within the period ending on the earlier of (i) the date 18 months following the date of death (or such longer or shorter period specified in the Award Agreement), and (ii) the expiration of the term of such Option or SAR as set forth in the Award Agreement. If, after the Participant’s death, the Option or SAR is not exercised within the applicable time frame, the Option or SAR (as applicable) will terminate.

(k) Termination for Cause. Except as explicitly provided otherwise in the applicable Award Agreement or other written agreement between the Participant and the Company, if a Participant’s Continuous Service is terminated for Cause, the Option or SAR will terminate immediately upon such Participant’s termination of Continuous Service, and the Participant will be prohibited from exercising his or her Option or SAR from and after the date of such termination of Continuous Service. If a Participant’s Continuous Service is suspended pending an investigation of the existence of Cause, all of the Participant’s rights under the Option or SAR will also be suspended during the investigation period.

(l) Non-Exempt Employees. If an Option or SAR is granted to an Employee who is a non-exempt employee for purposes of the U.S. Fair Labor Standards Act of 1938, as amended, the Option or SAR will not be first exercisable for any shares of Common Stock until at least six months following the date of grant of the Option or SAR (although the Award may
vest prior to such date). Consistent with the provisions of the U.S. Worker Economic Opportunity Act, (i) if such non-exempt Employee dies or suffers a Disability, (ii) upon a Corporate Transaction in which such Option or SAR is not assumed, continued, or substituted, (iii) upon a Change in Control, or (iv) upon the Participant’s retirement (as such term may be defined in the Participant’s Award Agreement in another agreement between the Participant and the Company, or, if no such definition, in accordance with the Company’s then current employment policies and guidelines), the vested portion of any Options and SARs may be exercised earlier than six months following the date of grant. The foregoing provision is intended to operate so that any income derived by a non-exempt employee in connection with the exercise or vesting of an Option or SAR will be exempt from his or her regular rate of pay. To the extent permitted and/or required for compliance with the U.S. Worker Economic Opportunity Act to ensure that any income derived by a non-exempt employee in connection with the exercise, vesting or issuance of any shares under any other Stock Award will be exempt from the employee’s regular rate of pay, the provisions of this Section 5(l) will apply to all Stock Awards and are hereby incorporated by reference into such Stock Award Agreements.

6. PROVISIONS OF STOCK AWARDS OTHER THAN OPTIONS AND SARS.

(a) Restricted Stock Awards. Each Restricted Stock Award Agreement will be in such form and will contain such terms and conditions as the Board will deem appropriate. To the extent consistent with the Company’s bylaws, at the Board’s election, shares of Common Stock may be (x) held in book entry form subject to the Company’s instructions until any restrictions relating to the Restricted Stock Award lapse; or (y) evidenced by a certificate, which certificate will be held in such form and manner as determined by the Board. The terms and conditions of Restricted Stock Award Agreements may change from time to time, and the terms and conditions of separate Restricted Stock Award Agreements need not be identical. Each Restricted Stock Award Agreement will conform to (through incorporation of the provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. A Restricted Stock Award may be awarded in consideration for (A) cash, check, bank draft or money order payable to the Company, (B) past services to the Company or an Affiliate, or (C) any other form of legal consideration (including future services) that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

(ii) Vesting. Shares of Common Stock awarded under the Restricted Stock Award Agreement may be subject to forfeiture to the Company in accordance with a vesting schedule to be determined by the Board.

(iii) Termination of Participant’s Continuous Service. If a Participant’s Continuous Service terminates, the Company may receive through a forfeiture condition or a repurchase right any or all of the shares of Common Stock held by the Participant that have not vested as of the date of termination of Continuous Service under the terms of the Restricted Stock Award Agreement.
(iv) **Transferability.** Rights to acquire shares of Common Stock under the Restricted Stock Award Agreement will be transferable by the Participant only upon such terms and conditions as are set forth in the Restricted Stock Award Agreement, as the Board will determine in its sole discretion, so long as Common Stock awarded under the Restricted Stock Award Agreement remains subject to the terms of the Restricted Stock Award Agreement.

(v) **Dividends.** A Restricted Stock Award Agreement may provide that any dividends paid on Restricted Stock will be subject to the same vesting and forfeiture restrictions as apply to the shares subject to the Restricted Stock Award to which they relate.

(b) **Restricted Stock Unit Awards.** Each Restricted Stock Unit Award Agreement will be in such form and will contain such terms and conditions as the Board will deem appropriate. The terms and conditions of Restricted Stock Unit Award Agreements may change from time to time, and the terms and conditions of separate Restricted Stock Unit Award Agreements need not be identical. Each Restricted Stock Unit Award Agreement will conform to (through incorporation of the provisions hereof by reference in the Agreement or otherwise) the substance of each of the following provisions:

(i) **Consideration.** At the time of grant of a Restricted Stock Unit Award, the Board will determine the consideration, if any, to be paid by the Participant upon delivery of each share of Common Stock subject to the Restricted Stock Unit Award. The consideration to be paid (if any) by the Participant for each share of Common Stock subject to a Restricted Stock Unit Award may be paid in any form of legal consideration that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

(ii) **Vesting.** At the time of the grant of a Restricted Stock Unit Award, the Board may impose such restrictions on or conditions to the vesting of the Restricted Stock Unit Award as it, in its sole discretion, deems appropriate.

(iii) **Payment.** A Restricted Stock Unit Award may be settled by the delivery of shares of Common Stock, their cash equivalent, any combination thereof or in any other form of consideration, as determined by the Board and contained in the Restricted Stock Unit Award Agreement.

(iv) **Additional Restrictions.** At the time of the grant of a Restricted Stock Unit Award, the Board, as it deems appropriate, may impose such restrictions or conditions that delay the delivery of the shares of Common Stock (or their cash equivalent) subject to a Restricted Stock Unit Award to a time after the vesting of such Restricted Stock Unit Award.

(v) **Dividend Equivalents.** Dividend equivalents may be credited in respect of shares of Common Stock covered by a Restricted Stock Unit Award, as determined by the Board and contained in the Restricted Stock Unit Award Agreement. At the sole discretion of the Board, such dividend equivalents may be
converted into additional shares of Common Stock covered by the Restricted Stock Unit Award in such manner as
determined by the Board. Any additional shares covered by the Restricted Stock Unit Award credited by reason of
such dividend equivalents will be subject to all of the same terms and conditions of the underlying Restricted
Stock Unit Award Agreement to which they relate.

(vi) **Termination of Participant’s Continuous Service.** Except as otherwise provided in the applicable
Restricted Stock Unit Award Agreement, such portion of the Restricted Stock Unit Award that has not vested will
be forfeited upon the Participant’s termination of Continuous Service.

(c) **Performance Awards.**

   (i) **Performance Stock Awards.** A Performance Stock Award is a Stock Award that is payable
   (including that may be granted, may vest or may be exercised) contingent upon the attainment during a
   Performance Period of certain Performance Goals. A Performance Stock Award may but need not require the
   Participant’s completion of a specified period of Continuous Service. The length of any Performance Period, the
   Performance Goals to be achieved during the Performance Period, and the measure of whether and to what degree
   such Performance Goals have been attained will be conclusively determined by the Board or Committee, in its
   sole discretion. In addition, to the extent permitted by applicable law and the applicable Award Agreement, the
   Board may determine that cash may be used in payment of Performance Stock Awards.

   (ii) **Performance Cash Awards.** A Performance Cash Award is a cash award that is payable
   contingent upon the attainment during a Performance Period of certain Performance Goals. A Performance Cash
   Award may also require the completion of a specified period of Continuous Service. At the time of grant of a
   Performance Cash Award, the length of any Performance Period, the Performance Goals to be achieved during the
   Performance Period, and the measure of whether and to what degree such Performance Goals have been attained
   will be conclusively determined by the Board or Committee, in its sole discretion. The Board may specify the
   form of payment of Performance Cash Awards, which may be cash or other property, or may provide for a
   Participant to have the option for his or her Performance Cash Award, or such portion thereof as the Board may
   specify, to be paid in whole or in part in cash or other property.

   (iii) **Board Discretion.** The Board retains the discretion to adjust or eliminate the compensation or
   economic benefit due upon attainment of Performance Goals and to define the manner of calculating the
   Performance Criteria it selects to use for a Performance Period.

(d) **Other Stock Awards.** Other forms of Stock Awards valued in whole or in part by reference to, or
otherwise based on, Common Stock, including the appreciation in value thereof (e.g., options or stock rights with an exercise
price or strike price less than 100% of the Fair Market Value of the Common Stock at the time of grant) may be granted either
alone or
in addition to Stock Awards provided for under Section 5 and the preceding provisions of this Section 6. Subject to the provisions of the Plan, the Board will have sole and complete authority to determine the persons to whom and the time or times at which such Other Stock Awards will be granted, the number of shares of Common Stock (or the cash equivalent thereof) to be granted pursuant to such Other Stock Awards and all other terms and conditions of such Other Stock Awards.

7. COVENANTS OF THE COMPANY.
   (a) **Availability of Shares.** The Company will keep available at all times the number of shares of Common Stock reasonably required to satisfy then-outstanding Stock Awards.

   (b) **Compliance with Law.** The Company will seek to obtain from each regulatory commission or agency, as necessary, such authority as may be required to grant Stock Awards and to issue and sell shares of Common Stock upon exercise or vesting of the Stock Awards; provided, however, that this undertaking will not require the Company to register under the Securities Act the Plan or other securities or applicable laws, any Stock Award or any Common Stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts and at a reasonable cost, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary or advisable for the lawful issuance and sale of Common Stock, the Company will be relieved from any liability for failure to issue and sell Common Stock upon exercise or vesting of such Stock Awards unless and until such authority is obtained. A Participant will not be eligible for the grant of an Award or the subsequent issuance of cash or Common Stock pursuant to the Award if such grant or issuance would be in violation of any applicable law.

   (c) **No Obligation to Notify or Minimize Taxes.** The Company will have no duty or obligation to any Participant to advise such holder as to the time or manner or tax treatment of exercising such Stock Award. Furthermore, the Company will have no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of an Award or a possible period in which the Award may not be exercised. The Company has no duty or obligation to minimize the tax consequences of an Award to the holder of such Award.

8. MISCELLANEOUS.
   (a) **Use of Proceeds from Sales of Common Stock.** Proceeds from the sale of shares of Common Stock pursuant to Stock Awards will constitute general funds of the Company.

   (b) **Corporate Action Constituting Grant of Awards.** Corporate action constituting a grant by the Company of an Award to any Participant will be deemed completed as of the date of such corporate action, unless otherwise determined by the Board, regardless of when the instrument, certificate, or letter evidencing the Award is communicated to, or actually received or accepted by, the Participant. In the event that the corporate records (e.g., Board consents, resolutions or minutes) documenting the corporate action constituting the grant contain terms (e.g., exercise price, vesting schedule or number of shares) that are inconsistent with those
in the Award Agreement or related grant documents as a result of a clerical error in the papering of the Award Agreement or related grant documents, the corporate records will control and the Participant will have no legally binding right to the incorrect term in the Award Agreement or related grant documents.

(c) **Stockholder Rights.** No Participant will be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to an Award unless and until (i) such Participant has satisfied all requirements for exercise of, or the issuance of shares of Common Stock under, the Award pursuant to its terms, and (ii) the issuance of the Common Stock subject to such Award has been entered into the books and records of the Company.

(d) **No Employment or Other Service Rights.** Nothing in the Plan, any Award Agreement or any other instrument executed thereunder or in connection with any Award granted pursuant thereto will confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Award was granted or will affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant’s agreement with the Company or an Affiliate, or (iii) the service of a Director pursuant to the bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state or foreign jurisdiction in which the Company or the Affiliate is domiciled or incorporated, as the case may be. Furthermore, to the extent the Company is not the employer of a Participant, the grant of an Award will be not establish an employment or other service relationship between the Company and the Participant.

(e) **Change in Time Commitment.** In the event a Participant’s regular level of time commitment in the performance of his or her services for the Company and any Affiliates is reduced (for example, and without limitation, if the Participant is an Employee of the Company and the Employee has a change in status from a full-time Employee to a part-time Employee or takes an extended leave of absence) after the date of grant of any Award to the Participant, the Board has the right in its sole discretion to (x) make a corresponding reduction in the number of shares or cash amount subject to any portion of such Award that is scheduled to vest or become payable after the date of such change in time commitment, and (y) in lieu of or in combination with such a reduction, extend the vesting or payment schedule applicable to such Award. In the event of any such reduction, the Participant will have no right with respect to any portion of the Award that is so reduced or extended.

(f) **Incentive Stock Option Limitations.** To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company and any Affiliates) exceeds U.S. $100,000 (or such other limit established in the Code) or otherwise does not comply with the rules governing Incentive Stock Options, the Options or portions thereof that exceed such limit (according to the order in which they were granted) or otherwise do not comply with such rules will be treated as Nonstatutory Stock Options, notwithstanding any contrary provision of the applicable Option Agreement(s).
(g) **Investment Assurances.** The Company may require a Participant, as a condition of exercising or acquiring Common Stock under any Award, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that such Participant is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Award; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the Award not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, will be inoperative if (A) the issuance of the shares upon the exercise or acquisition of Common Stock under the Award has been registered under a then currently effective registration statement under the Securities Act, or (B) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

(h) **Withholding Obligations.** Unless prohibited by the terms of an Award Agreement, the Company may, in its sole discretion, satisfy any U.S. and non-U.S. federal, state or local tax withholding obligation relating to an Award by any of the following means or by a combination of such means: (i) causing the Participant to tender a cash payment; (ii) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to the Participant in connection with the Stock Award; provided, however, that (A) no shares of Common Stock are withheld with a value exceeding the maximum amount of tax that may be required to be withheld by law (or such other amount as may be permitted while still avoiding classification of the Stock Award as a liability for financial accounting purposes), and (B) with respect to an Award held by any Participant who is subject to the filing requirements of Section 16 of the Exchange Act, any such share withholding must be specifically approved by the Compensation Committee as the applicable method that must be used to satisfy the tax withholding obligation or such share withholding procedure must otherwise satisfy the requirements for an exempt transaction under Section 16(b) of the Exchange Act; (iii) withholding cash from an Award settled in cash; (iv) withholding payment from any amounts otherwise payable to the Participant; or (v) by such other method as may be set forth in the Award Agreement.

(i) **Electronic Delivery.** Any reference herein to a “written” agreement or document will include any agreement or document delivered electronically, filed publicly at www.sec.gov (or any successor website thereto) or posted on the Company’s intranet (or other shared electronic medium controlled by the Company to which the Participant has access).

(j) **Deferrals.** To the extent permitted by applicable law, the Board, in its sole discretion, may establish programs and procedures for deferral elections to be made by Participants with respect to the delivery of Common Stock or the payment of cash upon the exercise, vesting or settlement of all or a portion of any Award. Deferrals by Participants will be
made in accordance with Section 409A of the Code. Consistent with Section 409A of the Code, the Board may provide for distributions while a Participant is still an employee or otherwise providing services to the Company. The Board is authorized to determine when, and in what annual percentages, Participants may receive payments, including lump sum payments, following the Participant’s termination of Continuous Service, and implement such other terms and conditions consistent with the provisions of the Plan and in accordance with applicable law.

(k) **Compliance with Section 409A of the Code.** Unless otherwise expressly provided for in an Award Agreement, the Plan and Award Agreements will be interpreted to the greatest extent possible in a manner that makes the Plan and the Awards granted hereunder exempt from Section 409A of the Code, and, to the extent not so exempt, in compliance with Section 409A of the Code. If the Board determines that any Award granted hereunder is not exempt from and is therefore subject to Section 409A of the Code, the Award Agreement evidencing such Award will incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code, and to the extent an Award Agreement is silent on terms necessary for compliance, such terms are hereby incorporated by reference into the Award Agreement. Notwithstanding anything to the contrary in this Plan (and unless the Award Agreement specifically provides otherwise), if the shares of Common Stock are publicly traded, and if a Participant holding an Award that constitutes “deferred compensation” under Section 409A of the Code is a “specified employee” for purposes of Section 409A of the Code, no distribution or payment of any amount that is due because of a “separation from service” (as defined in Section 409A of the Code without regard to alternative definitions thereunder) will be issued or paid before the date that is six months following the date of such Participant’s “separation from service” or, if earlier, the date of the Participant’s death, unless such distribution or payment can be made in a manner that complies with Section 409A of the Code, and any amounts so deferred will be paid in a lump sum on the day after such six month period elapses, with the balance paid thereafter on the original schedule.

(l) **Clawback/Recovery.** All Awards granted under the Plan will be subject to recoupment in accordance with any clawback policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company’s securities are listed or as is otherwise required by the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. In addition, the Board may impose such other clawback, recovery or recoupment provisions in an Award Agreement as the Board determines necessary or appropriate, including but not limited to a reacquisition right in respect of previously acquired shares of Common Stock or other cash or property upon the occurrence of an event constituting Cause. No recovery of compensation under such a clawback policy will be an event giving rise to a right to resign for “good reason” or “constructive termination” (or similar term) under any agreement with the Company or an Affiliate.

9. **ADJUSTMENTS UPON CHANGES IN COMMON STOCK; OTHER CORPORATE EVENTS.**

(a) **Capitalization Adjustments.** In the event of a Capitalization Adjustment, the Board will appropriately and proportionately adjust: (i) the class(es) and maximum number of securities subject to the Plan pursuant to Section 3(a), (ii) the class(es) and
maximum number of securities that may be issued pursuant to the exercise of Incentive Stock Options pursuant to Section 3(c), and (iii) the class(es) and number of securities and price per share of stock subject to outstanding Stock Awards. The Board will make such adjustments, and its determination will be final, binding and conclusive.

(b) **Dissolution or Liquidation.** Except as otherwise provided in the Stock Award Agreement, in the event of a dissolution or liquidation of the Company, all outstanding Stock Awards (other than Stock Awards consisting of vested and outstanding shares of Common Stock not subject to a forfeiture condition or the Company’s right of repurchase) will terminate immediately prior to the completion of such dissolution or liquidation, and the shares of Common Stock subject to the Company’s repurchase rights or subject to a forfeiture condition may be repurchased or reacquired by the Company notwithstanding the fact that the holder of such Stock Award is providing Continuous Service; provided, however, that the Board may, in its sole discretion, cause some or all Stock Awards to become fully vested, exercisable and/or no longer subject to repurchase or forfeiture (to the extent such Stock Awards have not previously expired or terminated) before the dissolution or liquidation is completed but contingent on its completion.

(c) **Corporate Transaction.** The following provisions will apply to Stock Awards in the event of a Corporate Transaction unless otherwise provided in the Stock Award Agreement or any other written agreement between the Company or any Affiliate and the Participant or unless otherwise expressly provided by the Board at the time of grant of a Stock Award. In the event of a Corporate Transaction, then, notwithstanding any other provision of the Plan, the Board may take one or more of the following actions with respect to Stock Awards, contingent upon the closing or completion of the Corporate Transaction:

(i) arrange for the surviving corporation or acquiring corporation (or the surviving or acquiring corporation’s parent company) to assume or continue the Stock Award or to substitute a similar stock award for the Stock Award (including, but not limited to, an award to acquire the same consideration paid to the stockholders of the Company pursuant to the Corporate Transaction);

(ii) arrange for the assignment of any reacquisition or repurchase rights held by the Company in respect of Common Stock issued pursuant to the Stock Award to the surviving corporation or acquiring corporation (or the surviving or acquiring corporation’s parent company);

(iii) accelerate the vesting, in whole or in part, of the Stock Award (and, if applicable, the time at which the Stock Award may be exercised) to a date prior to the effective time of such Corporate Transaction as the Board determines (or, if the Board does not determine such a date, to the date that is five days prior to the effective date of the Corporate Transaction), which exercise is contingent upon the effectiveness of such Corporate Transaction with such Stock Award terminating if not exercised (if applicable) at or prior to the effective time of the Corporate Transaction; provided, however, that the Board may require Participants to complete and deliver to the Company a notice of exercise before the effective date of a Corporate Transaction.
(iv) arrange for the lapse, in whole or in part, of any reacquisition or repurchase rights held by the Company with respect to the Stock Award;

(v) cancel or arrange for the cancellation of the Stock Award, to the extent not vested or not exercised prior to the effective time of the Corporate Transaction, in exchange for such cash consideration, if any, as the Board, in its sole discretion, may consider appropriate; and

(vi) make a payment, in such form as may be determined by the Board equal to the excess, if any, of (A) the per share amount (or value of property per share) payable to holders of Common Stock in connection with the Transaction, over (B) the per share exercise price under the applicable Stock Award, multiplied by the number of shares subject to the Stock Award. For clarity, this payment may be zero (U.S. $0) if the amount per share (or value of property per share) payable to the holders of the Common Stock is equal to or less than the exercise price of the Stock Award. In addition, any escrow, holdback, earnout or similar provisions in the definitive agreement for the Transaction may apply to such payment to the holder of the Stock Award to the same extent and in the same manner as such provisions apply to the holders of Common Stock.

The Board need not take the same action or actions with respect to all Stock Awards or portions thereof or with respect to all Participants. The Board may take different actions with respect to the vested and unvested portions of a Stock Award.

(d) **Change in Control.** A Stock Award may be subject to additional acceleration of vesting and exercisability upon or after a Change in Control as may be provided in the Stock Award Agreement for such Stock Award or as may be provided in any other written agreement between the Company or any Affiliate and the Participant, but in the absence of such provision, no such acceleration will occur.

10. **TERMINATION OR SUSPENSION OF THE PLAN.**

The Board may suspend or terminate the Plan at any time. No Incentive Stock Options may be granted after the tenth anniversary of June 13, 2018. No Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

11. **CHOICE OF LAW.**

The law of the State of Delaware will govern all questions concerning the construction, validity and interpretation of this Plan, without regard to that state's conflict of laws rules.

12. **DEFINITIONS.** As used in the Plan, the following definitions will apply to the capitalized terms indicated below:

   (a) **"Affiliate"** means, at the time of determination, any “parent” or “subsidiary” of the Company as such terms are defined in Rule 405 of the Securities Act. The Board will have the authority to determine the time or times at which “parent” or “subsidiary” status is determined within the foregoing definition.
(b) **“Assumption Date”** means April 7, 2020.

(c) **“Award”** means a Stock Award or a Performance Cash Award.

(d) **“Award Agreement”** means a written agreement between the Company and a Participant evidencing the terms and conditions of an Award.

(e) **“Board”** means the Board of Directors of the Company.

(f) **“Capital Stock”** means each and every class of common stock of the Company, regardless of the number of votes per share.

(g) **“Capitalization Adjustment”** means any change that is made in, or other events that occur with respect to, the Common Stock subject to the Plan or subject to any Stock Award after the Assumption Date without the receipt of consideration by the Company through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, stock split, reverse stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or any similar equity restructuring transaction, as that term is used in Statement of Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor thereto). Notwithstanding the foregoing, the conversion of any convertible securities of the Company will not be treated as a Capitalization Adjustment.

(h) **“Cause”** will have the meaning ascribed to such term in any written agreement (including, for the avoidance of doubt, an Award Agreement) between the Participant and the Company defining such term and, in the absence of such agreement, such term means, with respect to a Participant, the occurrence of any of the following events: (i) such Participant’s commission of any felony or any crime involving fraud, dishonesty or moral turpitude under the laws of the United States, any state thereof, or any applicable foreign jurisdiction; (ii) such Participant’s attempted commission of, or participation in, a fraud or act of dishonesty against the Company or any Affiliate; (iii) such Participant’s intentional, material violation of any contract or agreement between the Participant and the Company or any Affiliate or of any statutory duty owed to the Company or any Affiliate; (iv) such Participant’s unauthorized use or disclosure of the Company’s or any Affiliate’s confidential information or trade secrets; or (v) such Participant’s gross misconduct. The determination that a termination of the Participant’s Continuous Service is either for Cause or without Cause shall be made by the Company in its sole discretion. Any determination by the Company that the Continuous Service of a Participant was terminated by reason of dismissal without Cause for the purposes of outstanding Stock Awards held by such Participant shall have no effect upon any determination of the rights or obligations of the Company or such Participant for any other purpose.

(i) **“Change in Control”** means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

   (i) any Exchange Act Person becomes the Owner, directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company’s then outstanding securities other than by virtue of a merger, consolidation or similar transaction. Notwithstanding the
foregoing, a Change in Control will not be deemed to occur (A) on account of the acquisition of securities of the Company directly from the Company, (B) on account of the acquisition of securities of the Company by an investor, any affiliate thereof or any other Exchange Act Person that acquires the Company’s securities in a transaction or series of related transactions the primary purpose of which is to obtain financing for the Company through the issuance of equity securities; or (C) solely because the level of Ownership held by any Exchange Act Person (the “Subject Person”) exceeds the designated percentage threshold of the outstanding voting securities as a result of a repurchase or other acquisition of voting securities by the Company reducing the number of shares outstanding, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of voting securities by the Company, and after such share acquisition, the Subject Person becomes the Owner of any additional voting securities that, assuming the repurchase or other acquisition had not occurred, increases the percentage of the then outstanding voting securities Owned by the Subject Person over the designated percentage threshold, then a Change in Control will be deemed to occur;

(ii) there is consummated a merger, consolidation or similar transaction involving (directly or indirectly) the Company and, immediately after the consummation of such merger, consolidation or similar transaction, the stockholders of the Company immediately prior thereto do not Own, directly or indirectly, either (A) outstanding voting securities representing more than 50% of the combined outstanding voting power of the surviving Entity in such merger, consolidation or similar transaction or (B) more than 50% of the combined outstanding voting power of the parent of the surviving Entity in such merger, consolidation or similar transaction, in each case in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such transaction;

(iii) there is consummated a sale, lease, exclusive license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries to an Entity, more than 50% of the combined voting power of the voting securities of which are Owned by stockholders of the Company in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such sale, lease, license or other disposition; or

(iv) individuals who, on the date the Plan is adopted by the Board, are members of the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the members of the Board; provided, however, that if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member will, for purposes of this Plan, be considered as a member of the Incumbent Board.
Notwithstanding the foregoing or any other provision of the Plan, the term Change in Control will not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of the Company and the definition of Change in Control (or any analogous term) in an individual written agreement between the Company or any Affiliate and the Participant will supersede the foregoing definition with respect to Awards subject to such agreement; provided, however, that if no definition of Change in Control or any analogous term is set forth in such an individual written agreement, the foregoing definition will apply. To the extent required for compliance with Section 409A of the Code, in no event will a Change in Control be deemed to have occurred if such transaction is not also a “change in the ownership or effective control of” the Company or “a change in the ownership of a substantial portion of the assets of” the Company as determined under Treasury Regulations Section 1.409A-3(i)(5) (without regard to any alternative definition thereunder). The Board may, in its sole discretion and without a Participant’s consent, amend the definition of “Change in Control” to conform to the definition of “Change in Control” under Section 409A of the Code, and the regulations thereunder.

(j) “Code” means the Internal Revenue Code of 1986, as amended, including any applicable regulations and guidance thereunder.

(k) “Committee” means a committee of one or more Directors to whom authority has been delegated by the Board in accordance with Section 2(c).

(l) “Common Stock” means the common stock of the Company.

(m) “Company” means Gilead Sciences, Inc., a Delaware corporation.

(n) “Consultant” means any person, including an advisor, who is (i) engaged by the Company or an Affiliate to render consulting or advisory services and is compensated for such services, or (ii) serving as a member of the board of directors of an Affiliate and is compensated for such services. However, service solely as a Director, or payment of a fee for such service, will not cause a Director to be considered a “Consultant” for purposes of the Plan. Notwithstanding the foregoing, a person is treated as a Consultant under this Plan only if a Form S-8 Registration Statement under the Securities Act is available to register either the offer or the sale of the Company’s securities to such person.

(o) “Continuous Service” means that the Participant’s service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. A change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant’s service with the Company or an Affiliate, will not terminate a Participant’s Continuous Service; provided, however, that if the Entity for which a Participant is rendering services ceases to qualify as an Affiliate, as determined by the Board, in its sole discretion, such Participant’s Continuous Service will be considered to have terminated on the date such Entity ceases to qualify as an Affiliate. For example, a change in status from an Employee of the Company to a Consultant of an Affiliate or to a Director will not constitute an interruption of Continuous Service. To the extent permitted by law, the Board or the chief executive officer of
the Company, in that party’s sole discretion, may determine whether Continuous Service will be considered interrupted in the case of (i) any leave of absence approved by the Board or chief executive officer, including sick leave, military leave or any other personal leave, or (ii) transfers between the Company, an Affiliate, or their successors. Notwithstanding the foregoing, a leave of absence will be treated as Continuous Service for purposes of vesting in an Award only to such extent as may be provided in the Company’s leave of absence policy, in the written terms of any leave of absence agreement or policy applicable to the Participant, or as otherwise required by law. In addition, to the extent required for exemption from or compliance with Section 409A of the Code, the determination of whether there has been a termination of Continuous Service will be made, and such term will be construed, in a manner that is consistent with the definition of “separation from service” as defined under Treasury Regulation Section 1.409A-1(h) (without regard to any alternative definition thereunder).

(p) “Corporate Transaction” means the consummation, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) a sale or other disposition of all or substantially all, as determined by the Board, in its sole discretion, of the consolidated assets of the Company and its Subsidiaries;

(ii) a sale or other disposition of more than 50% of the outstanding securities of the Company;

(iii) a merger, consolidation or similar transaction following which the Company is not the surviving corporation; or

(iv) a merger, consolidation or similar transaction following which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger, consolidation or similar transaction are converted or exchanged by virtue of the merger, consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.

If required for compliance with Section 409A of the Code, in no event will a Corporate Transaction be deemed to have occurred if such transaction is not also a “change in the ownership or effective control of” the Company or “a change in the ownership of a substantial portion of the assets of” the Company as determined under Treasury Regulation Section 1.409A-3(i)(5) (without regard to any alternative definition thereunder).

(q) “Director” means a member of the Board.

(r) “Disability” means, with respect to a Participant, the inability of such Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than 12 months, as provided in Sections 22(e)(3) and 409A(a)(2)(c)(i) of the Code, and will be determined by the Board on the basis of such medical evidence as the Board deems warranted under the circumstances.
(s) “Employee” means any person employed by the Company or an Affiliate. However, service solely as a Director, or payment of a fee for such services, will not cause a Director to be considered an “Employee” for purposes of the Plan.

(t) “Entity” means a corporation, partnership, limited liability company or other entity.


(v) “Exchange Act Person” means any natural person, Entity or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that “Exchange Act Person” will not include (i) the Company or any Subsidiary of the Company, (ii) any employee benefit plan of the Company or any Subsidiary of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary of the Company, (iii) an underwriter temporarily holding securities pursuant to a registered public offering of such securities, (iv) an Entity Owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their Ownership of stock of the Company; or (v) any natural person, Entity or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act) that, as of the Assumption Date, is the Owner, directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company’s then outstanding securities.

(w) “Fair Market Value” means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or traded on any established market, the Fair Market Value of a share of Common Stock will be, unless otherwise determined by the Board, the closing sales price for such stock as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the date of determination, as reported in a source the Board deems reliable.

(ii) Unless otherwise provided by the Board, if there is no closing sales price for the Common Stock on the date of determination, then the Fair Market Value will be the closing selling price on the last preceding date for which such quotation exists.

(iii) In the absence of such markets for the Common Stock, the Fair Market Value will be determined by the Board in good faith and in a manner that complies with Sections 409A and 422 of the Code.

(x) “Incentive Stock Option” means an option granted pursuant to Section 5 of the Plan that is intended to be, and qualifies as, an “incentive stock option” within the meaning of Section 422 of the Code.

(y) “Non-Employee Director” means a Director who either (i) is not a current employee or officer of the Company or an Affiliate, does not receive compensation,
either directly or indirectly, from the Company or an Affiliate for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act (“Regulation S-K”)), does not possess an interest in any other transaction for which disclosure would be required under Item 404(a) of Regulation S-K, and is not engaged in a business relationship for which disclosure would be required pursuant to Item 404(b) of Regulation S-K; or (ii) is otherwise considered a “non-employee director” for purposes of Rule 16b-3.

(z) “Nonstatutory Stock Option” means any Option granted pursuant to Section 5 of the Plan that does not qualify as an Incentive Stock Option.

(aa) “Officer” means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act.

(bb) “Option” means an Incentive Stock Option or a Nonstatutory Stock Option to purchase shares of Common Stock granted pursuant to the Plan.

(cc) “Option Agreement” means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an Option grant. Each Option Agreement will be subject to the terms and conditions of the Plan.

(dd) “Optionholder” means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(ee) “Other Stock Award” means an award based in whole or in part by reference to the Common Stock which is granted pursuant to the terms and conditions of Section 6(d).

(ff) “Other Stock Award Agreement” means a written agreement between the Company and a holder of an Other Stock Award evidencing the terms and conditions of an Other Stock Award grant. Each Other Stock Award Agreement will be subject to the terms and conditions of the Plan.

(gg) “Own,” “Owned,” “Owner,” “Ownership” means a person or Entity will be deemed to “Own,” to have “Owned,” to be the “Owner” of, or to have acquired “Ownership” of securities if such person or Entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting, with respect to such securities.

(hh) “Parent” means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the Assumption Date shall be considered a Parent commencing as of such date.
(ii) “Participant” means a person to whom an Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

(jj) “Performance Cash Award” means an award of cash granted pursuant to the terms and conditions of Section 6(c)(ii).

(kk) “Performance Criteria” means the one or more criteria that the Board or Committee (as applicable) will select for purposes of establishing the Performance Goals for a Performance Period. The Performance Criteria that will be used to establish such Performance Goals may be based on any one of, or combination of, the following as determined by the Board or Committee (as applicable): (1) earnings (including earnings per share and net earnings); (2) earnings before interest, taxes and depreciation; (3) earnings before interest, taxes, depreciation and amortization; (4) total stockholder return; (5) return on equity or average stockholder’s equity; (6) return on assets, investment, or capital employed; (7) stock price; (8) margin (including gross margin); (9) income (before or after taxes); (10) operating income; (11) operating income after taxes; (12) pre-tax profit; (13) operating cash flow; (14) sales or revenue targets; (15) increases in revenue or product revenue; (16) expenses and cost reduction goals; (17) improvement in or attainment of working capital levels; (18) economic value added (or an equivalent metric); (19) market share; (20) cash flow; (21) cash flow per share; (22) share price performance; (23) debt reduction; (24) implementation or completion of projects or processes; (25) subscriber satisfaction; (26) stockholders’ equity; (27) capital expenditures; (28) debt levels; (29) operating profit or net operating profit; (30) workforce diversity; (31) growth of net income or operating income; (32) billings; (33) the number of subscribers, including but not limited to unique subscribers; (34) employee retention; and (35) other measures of performance selected by the Board.

(ll) “Performance Goals” means, for a Performance Period, the one or more goals established by the Board or Committee (as applicable) for the Performance Period based upon the Performance Criteria. Performance Goals may be based on a Company-wide basis, with respect to one or more business units, divisions, Affiliates, or business segments, and in either absolute terms or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. The Board or Committee (as applicable) may provide for appropriate adjustment for one or more of the following items or any similar item or event: (1) asset impairments or write-downs; (2) litigation and governmental investigation expenses and judgments, verdicts or claim settlements; (3) the effect of changes in tax law, accounting principles or other laws, regulations or provisions affecting reported results; (4) the effect of exchange rates for non-US dollar denominated net sales or goals based on operating profit, earnings or income; (5) accruals for reorganization and restructuring programs; (6) any unusual in nature or infrequently occurring items, as determined in accordance with applicable financial accounting principles and/or as described in management’s discussion and analysis of financial condition and results of operations appearing in the Company’s annual report to stockholders for the applicable year; (7) items of income, gain, loss or expense attributable to the operations of any business acquired by the Company or Subsidiary or of any joint venture established by the Company or Subsidiary; (8) costs and expenses incurred in connection with mergers and acquisitions; (9) items of income, gain, loss or expense attributable to one or more business operations divested by the Company or Subsidiary or the gain or loss realized upon the
sale of any such divested business or the assets thereof; or (10) the effect of any Capitalization Adjustment. In addition, the Board or Committee (as applicable) retains the discretion to reduce or eliminate the compensation or economic benefit due upon attainment of Performance Goals and to define the manner of calculating the Performance Criteria it selects to use for such Performance Period. Partial achievement of the specified criteria may result in the payment or vesting corresponding to the degree of achievement as specified in the Stock Award Agreement or the written terms of a Performance Cash Award.

(mm) “Performance Period” means the period of time selected by the Board or Committee (as applicable) over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant’s right to and the payment of a Stock Award or a Performance Cash Award. Performance Periods may be of varying and overlapping duration, at the sole discretion of the Board or Committee (as applicable).

(nn) “Performance Stock Award” means a Stock Award granted under the terms and conditions of Section 6(c) (i).

(oo) “Plan” means this Gilead Sciences, Inc. 2018 Equity Incentive Plan, as it may be amended.

(pp) “Restricted Stock Award” means an award of shares of Common Stock which is granted pursuant to the terms and conditions of Section 6(a).

(qq) “Restricted Stock Award Agreement” means a written agreement between the Company and a holder of a Restricted Stock Award evidencing the terms and conditions of a Restricted Stock Award grant. Each Restricted Stock Award Agreement will be subject to the terms and conditions of the Plan.

(rr) “Restricted Stock Unit Award” means a right to receive shares of Common Stock which is granted pursuant to the terms and conditions of Section 6(b).

(ss) “Restricted Stock Unit Award Agreement” means a written agreement between the Company and a holder of a Restricted Stock Unit Award evidencing the terms and conditions of a Restricted Stock Unit Award grant. Each Restricted Stock Unit Award Agreement will be subject to the terms and conditions of the Plan.

(tt) “Rule 16b-3” means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

(uu) “Securities Act” means the Securities Act of 1933, as amended.

(vv) “Stock Appreciation Right” or “SAR” means a right to receive the appreciation on Common Stock that is granted pursuant to the terms and conditions of Section 5.

(ww) “Stock Appreciation Right Agreement” means a written agreement between the Company and a holder of a Stock Appreciation Right evidencing the terms and conditions of a Stock Appreciation Right grant. Each Stock Appreciation Right Agreement will be subject to the terms and conditions of the Plan.
(xx) **Stock Award** means any right to receive Common Stock granted under the Plan, including an Incentive Stock Option, a Nonstatutory Stock Option, a Restricted Stock Award, a Restricted Stock Unit Award, a Stock Appreciation Right, a Performance Stock Award or any Other Stock Award.

(yy) **Stock Award Agreement** means a written agreement between the Company and a Participant evidencing the terms and conditions of a Stock Award grant. Each Stock Award Agreement will be subject to the terms and conditions of the Plan.

(zz) **Subsidiary** means, with respect to the Company, (i) any corporation of which more than 50% of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, stock of any other class or classes of such corporation will have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, Owned by the Company, and (ii) any partnership, limited liability company or other entity in which the Company has a direct or indirect interest (whether in the form of voting or participation in profits or capital contribution) of more than 50%.

(aaa) **Ten Percent Stockholder** means a person who Owns (or is deemed to Own pursuant to Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any Affiliate.
I. INTRODUCTION

The Gilead Sciences, Inc. Severance Plan (the “Plan”) was originally adopted by the Company effective January 29, 2003, and was subsequently amended and restated on May 9, 2006, May 8, 2007, in February, May and December 2008, in December 2009, in January 2010, in January 2012, in March 2016, in July 2019, and most recently in May 2020. This Plan and Summary Plan Description as so amended and restated replaces all severance or similar plans or programs of the Company previously in effect (including, for the avoidance of doubt, the Gilead Sciences International Severance Plan). Except as expressly set forth in a written agreement between an Eligible Employee and the Company, the Company currently maintains no severance or similar plan, program, policy or arrangement other than this Plan.

The purpose of the Plan is to provide a Severance Pay Benefit to certain Eligible Employees whose employment with the Company terminates under certain prescribed circumstances. Eligible Employees who previously participated in the Gilead Sciences International Severance Plan are eligible to participate in the Plan, as well as other Eligible Employees who are not remunerated through payroll in the United States.

The program of benefits for Eligible Employees who previously participated in the Gilead Sciences International Severance Plan and/or who are otherwise not remunerated through payroll in the United States shall be referred to herein as the “International Program.”

The Company is the Plan Administrator for purposes of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) (other than with respect to the International Program). For the avoidance of doubt, the International Program is not subject to ERISA. For Participants who are U.S. taxpayers, the Plan is intended to comply with the requirements of Section 409A of the Code.

Capitalized terms used in this Plan shall have the meaning set forth in Section XVIII.

II. COMMENCEMENT OF PARTICIPATION

An Eligible Employee shall commence participation in the Plan upon the later of (i) January 29, 2003 or (ii) his or her date of hire.

III. TERMINATION OF PARTICIPATION

A Participant’s participation in the Plan shall terminate upon the occurrence of the earliest of the following:

(a) The Participant’s employment terminates without meeting the requirements of Section IV(a)(i)(1).

(b) The Participant’s employment terminates with a provision of Section IV(a)(ii) being applicable.

(c) The Participant fails to meet the requirements of Section IV(a)(i)(2).

(d) The Participant has received a complete distribution of his or her Severance Pay Benefit.
The Participant ceases to be an Eligible Employee (other than by reason of termination of his or her employment with the Company).

The Plan terminates.

IV. SEVERANCE PAY BENEFIT

(a) Eligibility for Severance Pay Benefit.
   
   (i) Subject to Section IV(a)(ii), a Participant shall be eligible for a Severance Pay Benefit only if the Participant meets the requirements of Section IV(a)(i)(1) and Section IV(a)(i)(2).

   (1) The Participant incurs a Separation from Service as a result of: (A) a termination of his or her Employee status by the Company without Cause; (B) a resignation of his or her Employee status as a result of a transfer, without consent, to a new work location that is more than 50 miles from his or her previous work location; or (C) in the case of a Participant whose Severance Pay Benefit is determined with reference to Appendix A, B or C, a Constructive Termination (as defined in Section 11(d) of the 2004 Equity Incentive Plan) in conjunction with a Change in Control and within the Change in Control Period specified in Appendix A, B or C, as applicable.

   (2) The Participant (i) executes and delivers to the Company the Release within the time frame prescribed by the Company therein, and the period (if any such period is prescribed by the Company in the Release) for revoking the execution of the Release under applicable law, expires without the Participant’s revocation of such Release, and (ii) fulfills any required prerequisites for the Release to be enforceable (such as, by way of example, obtaining any governmental or third-party ratification or approval of such Release). A Participant’s failure to comply on a timely basis with such Release requirement shall render such individual ineligible to receive any Separation Pay Benefit under the Plan.

   The business decisions that may result in a Participant qualifying for a Severance Pay Benefit are decisions to be made by the Company in its sole discretion. In making these decisions, similarly situated organizations, locations, functions, classifications, and/or Participants need not be treated in the same manner. Each Participant who is remunerated through payroll in the United States remains an employee at will, and the date selected by the Company to terminate the Participant’s Employee status is within its sole discretion.

   (ii) Notwithstanding Section IV(a)(i), a Participant shall be disqualified from receiving a Severance Pay Benefit upon the occurrence of any of the following:

   (1) The Participant voluntarily terminates Employee status for any reason prior to the termination date set by the Company;

   (2) The Participant’s Employee status is terminated by death or for Cause;

   (3) The Participant terminates Employee status in order to accept employment with an organization that is wholly or partly owned (directly or indirectly) by the Company or an Affiliate;

   (4) The Participant accepts any job with a Buyer or Outsourcing Supplier;
The Participant is offered full-time employment with a Buyer or Outsourcing Supplier at a new work location 50 miles or less from his or her previous work location with the Company and taking such position would not result in a reduction in his or her Regular Earnings;

Except in the case of a Severance Pay Benefit payable in connection with a Change in Control, the Participant received a severance benefit in connection with an acquisition effected by the Company within 24 months prior to his or her Separation from Service; or

Under no circumstances shall a Participant be eligible for a Severance Pay Benefit under the Plan if he or she terminates Employee status for the purpose of accepting employment with the entity that effectuates a Change in Control, or any of its subsidiaries or affiliates. In addition, except as expressly provided otherwise in Section IV(a)(i)(1), for the avoidance of doubt, no Participant shall be eligible for a Severance Pay Benefit under the Plan if he or she terminates his or her own Employee status, including for good reason or as a result of any alleged or actual constructive termination.

(b) Amount of Severance Pay Benefit.

(i) Subject to Section IV(b)(ii), the Severance Pay Benefit payable to a Participant shall be as set forth in the applicable Appendix for that Participant based on his or her position:

Appendix A – The Executive Chairman (if any) and the Chief Executive Officer.

Appendix B - Executive Vice Presidents, Senior Vice Presidents and any other executive officers of the Company not covered by Appendix A.

Appendix C - Vice Presidents and Kite Vice Presidents.

Appendix D - All Eligible Employees not covered by Appendix A, B, or C.

(ii) Notwithstanding Section IV(b)(i), the total Severance Pay Benefit otherwise payable to a Participant under the Plan shall be subject to reduction (but not below zero) as follows:

1. If a Participant is reemployed by the Company or an Affiliate within the number of weeks after his or her Separation from Service that is equal to the number of weeks taken into consideration in calculating the Regular Earnings component of his or her Severance Pay Benefit, the total Severance Pay Benefit payable to such Participant shall be reduced to the dollar amount that the Participant’s Regular Earnings would have been for the period from the date of termination to the date of reemployment. In all cases, the reduced benefit will be based on the Participant’s Regular Earnings originally used to calculate such Participant’s Severance Pay Benefit under the Plan. A Participant will be considered “rehired” under the Plan for purposes of the foregoing repayment provision if he or she is rehired as an Employee or if he or she is retained at a Company facility as or through a contractor as a full-time equivalent for more than 45 work days.

2. If a Participant is employed by a Buyer or Outsourcing Vendor within the number of weeks after his or her Separation from Service that is equal to the number of weeks taken into consideration in calculating the Regular Earnings component of his or her Severance Pay Benefit, the total Severance Pay Benefit payable to such Participant shall be reduced to the dollar amount that the Participant’s Regular Earnings would have been for the period from the date of termination to the date of employment with the Buyer or
Outsourcing Vendor. This Section IV(b)(ii)(2) may be waived in writing by the Company in its sole discretion.

3. The Severance Pay Benefit shall be reduced (i) for Participants in the International Program, by the dollar amount of any payments made during the period following notice of termination, any payments in lieu of such notice, and termination indemnities, and (ii) for all Participants, by the dollar amount of any severance pay or other similar benefits payable under any other individual agreement, plan or policy of the Company or an Affiliate or otherwise required under applicable law or collective or labor agreement (other than unemployment compensation under applicable law), including, but not limited to, any benefit enhancement program adopted as part of a pension plan and any amounts payable pursuant to the Worker Adjustment and Retraining Notification Act (“WARN”) or any other similar federal, state or local statute, but for any Participant who is a U.S. taxpayer, only to the extent the time and form of such alternative payments do not otherwise result in an impermissible acceleration or deferral under Code Section 409A of the Severance Pay Benefit payable under this Plan.

4. The Severance Pay Benefit shall be reduced by the amount of any indebtedness owed to the Company, but for any Participant who is a U.S. taxpayer, only to the extent such offset would not otherwise contravene any applicable limitations of Code Section 409A.

(iii) Withholding.

The Company (or other applicable member of the Employer Group) shall withhold from any Severance Pay Benefit all national, federal, state and local income or other taxes, national insurance contributions or similar amounts required to be withheld therefrom and any other required payroll deductions.

(c) Repayment of the Severance Pay Benefit.

If the Participant has received payment under the Plan in excess of the Severance Pay Benefit, as reduced in accordance with Section IV(b)(ii), the Participant (1) shall promptly return any excess to the Company upon request (to the fullest extent permitted by applicable law), and (2) must agree as a condition of any reemployment that such excess will be repaid to the Company within sixty (60) days after the date his or her reemployment commences.

V. TIME AND FORM OF SEVERANCE PAY BENEFIT

(a) The Severance Pay Benefit (other than the Lump Sum Health Care Payment, the CIC Pro Rata Bonus and the Pro Rata Bonus, in each case if applicable) for each Participant, other than a Participant whose Severance Pay Benefit is determined pursuant to Appendix D, shall be paid in equal periodic installments over the total number of weeks taken into account in calculating the Regular Earnings component of the Severance Pay Benefit to which such Participant is entitled. Except as set forth below, such installments shall be payable over the applicable period on the regularly scheduled pay dates in effect for the Company’s salaried employees, beginning with the first such pay date within the sixty (60)-day period measured from the date of his or her Separation from Service on which the Release delivered by the Participant in accordance with Section IV(a)(i)(2) is effective following the expiration of any applicable review and revocation periods and the fulfillment of any required perquisites for the Release to be enforceable, but in no event shall the first such installment be paid later than the last day of such sixty (60)-day period, provided (i) such Release has been delivered to the Company within the required time period following the Participant’s Separation from Service, as set forth in Section IV, (ii) such Release has not been revoked and any requirements for such Release to be enforceable have been fulfilled, and (iii) should such sixty (60) day period measured from the date of the Participant’s
Separation from Service extend over two calendar years, then the first such installment of the Severance Pay Benefit shall be paid during the portion of that sixty (60)-day period that occurs in the second calendar year.

The Company shall pay the Lump Sum Health Care Payment to the Participant on the first regularly scheduled pay date for the Participant’s former job and location that occurs within the sixty (60)-day period measured from the date of his or her Separation from Service on which the Release delivered by the Participant in accordance with Section IV(a)(i)(2) of the Plan is effective following the expiration of any applicable review and revocation periods and the fulfillment of any required prerequisites for the Release to be enforceable, but in no event shall such payment be made later than the last day of such sixty (60)-day period, provided (i) such Release has been delivered to the Company within the required time period following the Participant’s Separation from Service, as set forth in Section IV, (ii) such Release has not been revoked and any requirements for such Release to be enforceable have been fulfilled and (iii) should such sixty (60)-day period measured from the date of the Participant’s Separation from Service extend over two calendar years, then the Lump Sum Health Care Payment shall be made during the portion of that sixty (60)-day period that occurs in the second calendar year. It shall be the sole responsibility of the Participant and his or her spouse and eligible dependents to obtain actual COBRA coverage under the Company’s group health care plan.

The Company shall pay the CIC Pro Rata Bonus to the Participant as soon as administratively practicable after the Separation from Service and in all events within thirty (30) days thereafter. The Pro Rata Bonus shall be payable at the time set forth in the applicable Appendix.

(b) For purposes of Section 409A of the Code (if applicable), the Severance Pay Benefit shall be deemed to be a series of separate payments, with each installment of the Severance Pay Benefit to be treated as a separate payment.

(c) The Severance Pay Benefit for each Participant whose Severance Pay Benefit is determined pursuant to Appendix D shall be paid in a lump sum on the first regularly scheduled pay date for the Participant’s former job and location that occurs within the sixty (60)-day period measured from the date of his or her Separation from Service on which the Release delivered by the Participant in accordance with Section IV(a)(i)(2) is effective following the expiration of any applicable review and revocation periods and the fulfillment of any required prerequisites for the Release to be enforceable, but in no event shall such lump sum payment be made later than the last day of such sixty (60)-day period, provided (i) such Release has been delivered to the Company within the required time period following the Participant’s Separation from Service, as set forth in Section IV, (ii) such Release has not been revoked and any requirements for such Release to be enforceable have been fulfilled, and (iii) should such sixty (60)-day period measured from the date of the Participant’s Separation from Service extend over two calendar years, then such lump sum payment shall be made during the portion of that sixty (60)-day period that occurs in the second calendar year.

(d) Notwithstanding any provision to the contrary in this Section V or any other Section of the Plan, other than Section V(e) and (f) below, no Severance Pay Benefit (or component thereof) that is deemed to constitute “nonqualified deferred compensation” within the meaning of and subject to Section 409A of the Code shall be paid with respect to a Participant who is a U.S. taxpayer until the earlier of (i) the first day of the seventh (7th) month following the date of such Participant’s Separation from Service or (ii) the date of his or her death, if the Participant is deemed at the time of such Separation from Service to be a Specified Employee and such delayed commencement is otherwise required in order to avoid a prohibited distribution under Code Section 409A(a)(2). Upon the expiration of the applicable deferral period, all payments deferred pursuant to this Section V(d), whether they were otherwise payable in installments or a lump sum, shall be paid in a lump sum to the Participant, and any remaining Severance
Pay Benefit shall be paid in accordance with the schedule described in Section V(a) above or in a lump sum to the extent such Severance Pay Benefit is to be paid pursuant to Section V(c) above.

(e) Notwithstanding Section V(d), should a Participant who is a U.S. taxpayer and a Specified Employee at the time of his or her Separation from Service become entitled to a Severance Pay Benefit prior to the occurrence of a Change in Control, then the portion of that Severance Pay Benefit that does not exceed the dollar limit described below and is otherwise scheduled to be paid no later than the last day of the second calendar year following the calendar year in which his or her Separation from Service occurs will not be subject to any deferred commencement date under Section V(d) and shall be paid to such Participant as it becomes due under Section V(a), to the extent that such portion qualifies as an involuntary separation pay plan in accordance with the requirements set forth in Section 1.409A-1(b)(9)(iii) of the Treasury Regulations. For purposes of this Section V(e), the applicable dollar limitation will be equal to two (2) times the lesser of (A) the Participant’s annualized compensation (based on his or her annual rate of pay for the taxable year preceding the taxable year of his or her Separation from Service, adjusted to reflect any increase during that taxable year which was expected to continue indefinitely had such Separation from Service not occurred) or (B) the compensation limit under Section 401(a)(17) of the Code as in effect in the year of the Separation from Service. To the extent the portion of the Severance Pay Benefit to which such Participant would otherwise be entitled under Section V(a) during the deferral period under Section V(d) exceeds the foregoing dollar limitation, such excess shall be paid in a lump sum upon the expiration of that deferral period, in accordance with the payment delay provisions of Section V(d), and the remainder of the Severance Pay Benefit (if any) shall be paid in accordance with the schedule described in Section V(a). In no event, however, shall this Section V(e) be applicable to any Severance Pay Benefit (or any portion thereof) which does not qualify as an involuntary separation pay plan under Section 1.409A-(b)(9)(iii) of the Treasury Regulations.

(f) Notwithstanding any other provision of the Plan to the contrary, no distribution shall be made from the Plan to any U.S. taxpayers that would constitute an impermissible acceleration of payment as defined in Section 409A(3) of the Code and the Treasury Regulations thereunder.

(g) No interest shall be paid on a Severance Pay Benefit required to be deferred in accordance with the foregoing.

VI. DEATH OF A PARTICIPANT

If a Participant dies after qualifying for a Severance Pay Benefit but before such benefit is completely paid, the balance of the Severance Pay Benefit shall be paid in a lump sum to the Participant’s Beneficiary not later than the later of (i) December 31 of the year in which the Participant’s death occurred or (ii) the fifteenth (15th) day of the third (3rd) calendar month following the date of the Participant’s death.

VII. AMENDMENT AND TERMINATION

(a) General Rule.

Although the Company expects to continue the Plan indefinitely, inasmuch as future conditions cannot be foreseen, (subject to Sections VII(b) and (c)) the Company reserves the right to amend or terminate the Plan at any time by action of its Board of Directors or by action of a committee or individual(s) acting pursuant to a valid delegation of authority of the Board of Directors. However, no amendment or termination shall adversely affect the right of a Participant who incurs a Separation from Service prior to the date of such amendment or termination to:
receive the unpaid balance of any Severance Pay Benefit that has become payable in accordance with the
foregoing provisions of the Plan, with such balance to be paid in accordance with the provisions of the
Plan in effect immediately prior to such amendment or termination; or

(ii) qualify for a Severance Pay Benefit upon the timely execution and delivery of the requisite Release after
the date of such amendment or termination.

(b) Restrictions on Amendments.

Notwithstanding Section VII(a) of the Plan, and except to the extent required to comply with applicable law, no
termination of the Plan and no amendment described below shall be effective if adopted within six months before or at
any time after the public announcement of an event or proposed transaction which would constitute a Change in Control
(as such term is defined prior to such amendment); provided, however, that such an amendment or termination of the Plan
may be effected, even if adopted after such a public announcement, if (a) the amendment or termination is adopted after
any plans have been abandoned to cause the event or effect the transaction which, if effected, would have constituted the
Change in Control, and the event which would have constituted the Change in Control has not occurred, and (b) within a
period of six months after such adoption, no other event constituting a Change in Control has occurred, and no public
announcement of a proposed transaction which would constitute a Change in Control has been made, unless thereafter any
plans to effect the Change in Control have been abandoned and the event which would have constituted the Change in
Control has not occurred.

The amendments prohibited by this Section VII(b) include any amendment which is executed (or would otherwise
become effective) at the request of a third party who effectuates a Change in Control or any amendment which, if adopted
and given effect would:

(i) For any individual who is an Eligible Employee as of the Change in Control, deprive such individual of
coverage under the Plan as in effect at the time of such amendment;

(ii) Limit eligibility for or reduce the amount of any Severance Pay Benefit; or

(iii) Amend Section VII, IX, or the definitions of the terms “Change in Control” or “Successors and Assigns”
in Section XVIII of the Plan.

No person shall take any action that would directly or indirectly have the same effect as any of the prohibited amendments
or termination described in this Section VII(b).

(c) No Change in Payment Schedule.

Under no circumstances shall any amendment or termination of the Plan affect or modify the payment schedule in effect
for a Severance Pay Benefit of a Participant who is a U.S. taxpayer in a manner which would otherwise result in an
impermissible acceleration or deferral of that payment schedule under Code Section 409A.

(d) Amendments to Comply with Section 409A of the Code.

Notwithstanding any provision of Section VII to the contrary, the Company reserves the right, to the extent the Company
deems necessary or advisable in its sole discretion, to unilaterally amend or modify this Plan as may be necessary to
ensure the Severance Pay Benefits provided under this Plan are made in a manner that qualifies for exemption from, or
otherwise complies with, Section 409A of the Code; provided, however, that the Company makes no representation that
the Severance Pay Benefit provided under this Plan will be exempt from or comply with Section 409A of the Code and
makes no
undertaking to preclude Section 409A of the Code from applying to the Severance Pay Benefits provided under this Plan or to indemnify any participant from any taxes or penalties imposed under Section 409A.

To the extent there is any ambiguity as to whether any provision of this Plan would otherwise contravene one or more requirements or limitations of Code Section 409A applicable to the Plan, such provision shall be interpreted and applied in a manner that does not result in a violation of the applicable requirements or limitations of Code Section 409A and the Treasury Regulations thereunder.

VIII. NON-ALIENATION OF BENEFITS

To the full extent permitted by law and except as expressly provided in the Plan, no Severance Pay Benefit shall be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, and any attempt to do so shall be void.

IX. SUCCESSORS AND ASSIGNS

The Plan shall be binding upon the Company, its Successors and Assigns. Notwithstanding that the Plan may be binding upon such Successors and Assigns by operation of law, the Company shall require any Successor or Assign to expressly assume and agree to be bound by the Plan in the same manner and to the same extent that the Company would be if no succession or assignment had taken place.

X. LEGAL CONSTRUCTION

All provisions of this Plan other than the International Program are governed by and shall be construed in accordance with the Code and ERISA and, to the extent not preempted by ERISA, with the laws of the State of California. The International Program is governed by and shall be construed in accordance with the applicable jurisdiction in which the Eligible Employee’s remuneration is processed through payroll.

XI. ADMINISTRATION AND OPERATION OF THE PLAN

For the avoidance of doubt, this Article XI of the Plan shall not apply to the International Program.

(a) Plan Sponsor and Plan Administrator.

The Company is the “Plan Sponsor” and the “Plan Administrator” of the Plan as such terms are used in ERISA.

(b) Administrative Power and Responsibility.

The Company in its capacity as Plan Administrator of the Plan is the named fiduciary that has the authority to control and manage the operation and administration of the Plan. The Company shall make such rules, regulations, interpretations, and computations and shall take such other action to administer the Plan as it may deem appropriate. The Company shall have the sole discretion to interpret the provisions of the Plan and to determine eligibility for benefits pursuant to the objective criteria set forth in the Plan. In administering the Plan, the Company shall at all times discharge its duties with respect to the Plan in accordance with the standards set forth in section 404(a)(1) of ERISA. The Company may engage the services of such persons or organizations to render advice or perform services with respect to its responsibilities under the Plan as it shall determine to be necessary or appropriate. Such persons or organizations may include (without limitation) actuaries, attorneys, accountants and consultants.

(c) Review Panel.
Upon receipt of a request for review, the Company shall appoint a Review Panel that shall consist of three or more individuals. The Review Panel shall be the named fiduciary that shall have authority to act with respect to appeals from any denial of benefits under the Plan.

(d) Service in More Than One Fiduciary Capacity.

Any person or group of persons may serve in more than one fiduciary capacity with respect to the Plan.

(e) Performance of Responsibilities.

The responsibilities of the Company under the Plan shall be carried out on its behalf by its officers, employees, and agents. The Company may delegate any of its fiduciary responsibilities under the Plan to another person or persons pursuant to a written instrument that specifies the fiduciary responsibilities so delegated to each such person.

(f) Employee Communications and Other Plan Activities.

In communications with its employees and in any other activities relating to the Plan, the Company shall comply with the rules, regulations, interpretations, computations, and instructions that were issued to administer the Plan. With respect to matters relating to the Plan, directors, officers, and employees of the Company shall act on behalf or in the name of the Company in their capacity as directors, officers, and employees and not as individual fiduciaries.

XII. CLAIMS, INQUIRIES AND APPEALS

For the avoidance of doubt, this Article XII of the Plan shall not apply to the International Program.

(a) Claims for Benefits and Inquiries.

All claims for benefits and all inquiries concerning the Plan or present or future rights to benefits under the Plan, shall be submitted to the Plan Administrator in writing and addressed as follows: “Gilead Sciences, Inc., Plan Administrator under the Gilead Sciences, Inc. Severance Plan, 333 Lakeside Drive, Foster City, CA 94404 ” or such other location as communicated to the Participant. A claim for benefits shall be signed by the Participant, or if a Participant is deceased, by such Participant’s spouse or registered domestic partner, designated beneficiary or estate, as the case may be.

(b) Denials of Claims.

In the event that any claim for benefits is denied, in whole or in part, the Plan Administrator shall notify the claimant in writing of such denial and of the right to a review thereof. Such written notice shall set forth in a manner calculated to be understood by the claimant, specific reasons for such denial, specific references to the Plan provision on which such denial is based, a description of any information or material necessary to perfect the claim, an explanation of why such material is necessary, an explanation of the Plan’s review procedure which includes information on how to appeal the denial and a statement regarding the claimant’s right to bring a civil action under ERISA section 502(a) following an adverse benefit determination on review. Such written notice shall be given to the claimant within 90 days after the Plan Administrator receives the claim, unless special circumstances require an extension of time of up to an additional 90 days for processing the claim. If such an extension of time for processing is required, written notice of the extension shall be furnished to the claimant prior to the termination of the initial 90-day period. This notice of extension shall indicate the special circumstances requiring the extension of time and the date by which the Plan Administrator expects to render its decision on the claim for benefits. The claimant shall be permitted to appeal such denial in accordance with the Review Procedure set forth below.
Review Panel.

The Plan Administrator shall appoint a “Review Panel,” consisting of three or more individuals who may (but need not) be employees of the Company. The Review Panel shall be the named fiduciary that has the authority to act with respect to any appeal from a denial of benefits.

Requests for a Review.

Any person whose claim for benefits is denied in whole or in part, or such person’s duly authorized representative, may appeal from such denial by submitting a request for a review of the claim to the Review Panel within 60 days after receiving written notice of such denial from the Plan Administrator. A request for review shall be in writing and shall be addressed as follows: “Review Panel under the Gilead Sciences, Inc. Severance Plan, 333 Lakeside Drive, Foster City, CA 94404” or such other location as communicated to the Participant. A request for review shall set forth all of the grounds on which it is based, all facts in support of the request and any other matters that the claimant deems pertinent. As part of the review procedure, the claimant or the claimant’s duly authorized representative may submit written comments, documents, records and other information related to the claim. The Review Panel will consider all comments, documents, records and other information submitted by the claimant or the claimant’s duly authorized representative relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records or other information (all of which must not be privileged) relevant to the benefit claim. The Review Panel may require the claimant to submit such additional facts, documents or other material as it may deem necessary or appropriate in making its review.

Decision on Review.

The Review Panel shall act on each request for review and notify the claimant within 60 days after receipt thereof unless special circumstances require an extension of time, up to an additional 60 days, for processing the request. If such an extension for review is required, written notice of the extension shall be furnished to the claimant within the initial 60-day period. The Review Panel shall give prompt, written notice of its decision to the claimant and to the Plan Administrator. In the event that the Review Panel confirms the denial of the claim for benefits, in whole or in part, such notice shall set forth, in a manner calculated to be understood by the claimant, the specific reasons for such denial, specific references to the Plan provisions on which the decision is based, a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records and other information relevant to the benefit claim, a statement describing any voluntary appeal procedures offered by the Plan and the claimant’s right to obtain information about such procedures, and a statement informing the claimant of his or her right to bring a civil action under ERISA section 502(a). Any decision on appeal shall be final, conclusive, and binding on all parties. It is the intent that the standard of review to be applied to any challenge by a claimant to a denial of benefits on final appeal under these procedures shall be an arbitrary and capricious standard and not a de novo review.

Rules and Procedures.

The Review Panel shall establish such rules and procedures, consistent with the Plan and with ERISA, as it may deem necessary or appropriate in carrying out its responsibilities under this Section XII. The Review Panel may require a claimant who wishes to submit additional information in connection with an appeal from the denial of benefits to do so at the claimant’s own expense.

Exhaustion of Remedies.
No legal action for benefits under the Plan shall be brought unless and until the claimant:

(i) has submitted a written claim for benefits in accordance with Section XII(a);
(ii) has been notified by the Plan Administrator that the claim is denied;
(iii) has filed a written request for a review of the claim in accordance with Section XII(d); and
(iv) has been notified in writing that the Review Panel has affirmed the denial of the claim.

A claimant must initiate any such legal action for benefits within 12 months following the date of a final denial of a claim under the Plan. Any legal action brought after such 12-month period will be time barred and cannot be brought in any forum. Any legal action in connection with the Plan may only be brought in the United States District Court for the Northern District of California.

XIII. BASIS OF PAYMENTS TO AND FROM PLAN

All Severance Pay Benefits under the Plan shall be paid by the Company. The Plan shall be unfunded and benefits hereunder shall be paid only from the general assets of the Company.

XIV. OTHER PLAN INFORMATION

For the avoidance of doubt, this Article XIV of the Plan shall not apply to the International Program.

(a) Plan Identification Numbers.

The Employer Identification Number (EIN) assigned to the Plan Sponsor (Gilead Sciences, Inc.) by the Internal Revenue Service is 94-3047598. The Plan Number assigned to the Plan by the Plan Sponsor pursuant to instructions of the Internal Revenue Service is 508.

(b) Ending Date of the Plan’s Fiscal Year.

The date of the end of the year for the purpose of maintaining the Plan’s fiscal records is December 31.

(c) Agent for the Service of Legal Process.

The agent for the service of legal process with respect to the Plan is the Secretary of Gilead Sciences, Inc., 333 Lakeside Drive, Foster City, CA 94404. The service of legal process may also be made on the Plan by serving the Plan Administrator.

(d) Plan Sponsor and Administrator.

The “Plan Sponsor” and the “Plan Administrator” of the Plan is Gilead Sciences, Inc., 333 Lakeside Drive, Foster City, CA 94404; 650-522-5800 or such other location as communicated to the Participant. The Plan Administrator is the named fiduciary charged with responsibility for administering the Plan.

XV. STATEMENT OF ERISA RIGHTS

As a participant in this Plan (which is a welfare plan sponsored by the Company), you are entitled to the following rights and protection under ERISA. For the avoidance of doubt, this Article XV of the Plan shall not apply to the International Program.

(a) Examine, without charge, at the Plan Administrator’s office and at other specified locations such as work sites, all Plan documents, collective bargaining agreements and copies of all documents filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure of the Employee Benefits Security Administration.
(b) Obtain copies of all Plan documents and other Plan information upon written request to the Plan Administrator. The Plan Administrator may make a reasonable charge for the copies.

(c) In addition to creating rights for Plan Participants, ERISA imposes duties upon the people responsible for the operation of the employee benefit Plan. The people who operate your Plan, called “fiduciaries” of the Plan, have a duty to do so prudently and in the interest of you and other Plan Participants and Beneficiaries.

(d) No one, including your employer, your union, nor any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a Plan benefit or exercising your rights under ERISA. If your claim for a Plan benefit is denied in whole or in part, you must receive a written explanation of the reason for the denial. You have the right to have the claim reviewed and reconsidered.

(e) Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. If it should happen that the Plan fiduciaries misuse the Plan’s money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

(f) If you have any questions about your Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

XVI. AVAILABILITY OF PLAN DOCUMENTS FOR EXAMINATION

For the avoidance of doubt, this Article XVI of the Plan shall not apply to the International Program. ERISA requires Gilead Sciences, Inc., as the Plan Administrator of a benefit plan sponsored by the Company, to make available for your examination the Plan documents under which the Plan is established and operated.

The pertinent Plan documents include official Plan texts and any other documents under which the Plan is established or operated, and applicable collective bargaining agreements.

These Plan documents are available for your examination at the Plan Administrator’s office, 333 Lakeside Drive, Foster City, CA 94404, and at certain other locations such as the Company’s Human Resources offices.

XVII. INTERNATIONAL PROGRAM; SUB-PLANS

The Plan Administrator hereby delegates to the Company’s Executive Vice President, Human Resources, the authority to establish additional terms, conditions, rules, procedures or sub-plans as necessary or advisable to accommodate the customs, rules or laws of applicable non-U.S. jurisdictions and to afford Participants under the International Program favorable treatment under such rules or laws.
XVIII. DEFINITIONS

(a) “Affiliate” means a member of the Affiliated Group other than Gilead Sciences, Inc. and any Subsidiary.

(b) “Affiliated Group” means the Company and each member of the group of commonly controlled corporations or other businesses that include the Company, as determined in accordance with Section 414(b) and (c) of the Code and the Treasury Regulations issued thereunder.

(c) “Beneficiary” means the person or persons so designated by a Participant. A Participant may change or revoke a designation of a Beneficiary at any time. To be effective, any designation of a Beneficiary, or any change or revocation thereof, must be made in writing on the prescribed form and must be received by the Company (in a form acceptable to the Company) before the Participant’s death. If a Participant fails to make a valid designation of a Beneficiary, or if the validly designated Beneficiary is not living when a payment is to be made to such Beneficiary hereunder, the Participant’s Beneficiary shall be the Participant’s spouse or registered domestic partner if then living, or, if none or not then living, the Participant’s estate.

(d) “Buyer” means an entity that purchases (or has purchased) some or all of the Affiliated Group’s interest applicable to the operation in which the Participant is employed, or an entity that is a direct or indirect successor in ownership or management of the operation in which the Participant is employed. Notwithstanding the above, Buyer shall not include any entity that effectuates a Change in Control.

(e) “Cause” (i) has the meaning ascribed to such term in a written agreement between the Participant and the Company or an Affiliate; or (ii) if no such agreement exists or such term is not defined in such agreement, means, as determined in the sole discretion of the Company, the Participant’s (A) performance of any act, or failure to perform any act, in bad faith and to the detriment of the Company or an Affiliate; (B) dishonesty, fraud, misconduct, material violation of any applicable Company or Affiliate policy, or material breach of any agreement with the Company or an Affiliate; (C) conviction or plea of nolo contendere to a crime involving dishonesty, breach of trust, or physical or emotional harm to any person; or (D) poor performance, nonperformance, or neglect of the Participant’s duties to the Company or an Affiliate or insubordination.

(f) “Change in Control” means an event which constitutes a change in control of the Company as defined in Section 2(h) of the Gilead Sciences, Inc. 2004 Equity Incentive Plan, as it may be amended from time to time or any successor to such provision.

(g) “Code” means the U.S. Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder.

(h) “Company” means Gilead Sciences, Inc. Where the context requires, “Company” also includes its Subsidiaries, and any of their Successors and Assigns.

(i) “Continuous Service” means the sum of the following:

(i) Any period of time during which a person qualifies as an Eligible Employee or, having once so qualified, is on a leave of absence with pay, is on a leave of absence without pay that must be recognized as Continuous Service under applicable laws, is on a paid vacation or holiday or is receiving benefits under the Company’s short-term disability plan; or

(ii) Any other period that constitutes Continuous Service under written rules or procedures adopted from time to time by the Company, subject to such terms and conditions as the Company may establish; and
any period of time while employed by the Company’s Successor or Assigns that would have constituted Continuous Service if the service had been with the Company prior to the occurrence of a Change in Control.

If an Eligible Employee’s Continuous Service is interrupted and the Eligible Employee subsequently returns to a status that constitutes Continuous Service, such prior Continuous Service shall be disregarded for all purposes of the Plan. However, should an Eligible Employee terminate employment under circumstances that do not result in his or her receipt of a Severance Pay Benefit under the Plan and such individual be reemployed by the Company (or any entity that is at the time a Subsidiary of the Company) within one year following his or her termination of Continuous Service without the receipt of a Severance Pay Benefit hereunder, then his or her Continuous Service prior to such termination, the time period between the date of such termination and the date of such subsequent reemployment and the period of Continuous Service following such reemployment will be considered Continuous Service. An Eligible Employee whose termination of employment and concurrent cessation of Continuous Service results in his or her receipt of a Severance Pay Benefit under the Plan shall not, upon his or her subsequent re-employment by the Company (or any entity that is at the time a Subsidiary of the Company), be entitled to any Continuous Service credit for any prior period of employment or service with the Company or any Subsidiary or for the bridge period between the period of such prior service and the date of his or her re-employment.

(j) “Determination Date” means each December 31.

(k) “Eligible Employee” means, except under the International Program, any common law employee on the U.S. dollar payroll of the Company or any Subsidiary who (i) is not on the payroll of a person other than the Company or such Subsidiary and is for any reason deemed by the Company or any Subsidiary to be a common law employee of the Company or such Subsidiary; (ii) is not considered by the Company or any Subsidiary in its sole discretion to be an independent contractor, regardless of whether the individual is in fact a common law employee of the Company or such Subsidiary; and (iii) who at the time of his or her Separation from Service with the Company or such Subsidiary is not on a Leave of Absence Without Pay. Under the International Program, “Eligible Employee” means any employee of the Company or any Subsidiary who is remunerated through a non-U.S. dollar payroll of a jurisdiction designated by the Company’s Executive Vice President, Human Resources to participate in the Plan, and who (1) is not on the payroll of a person other than the Company or such Subsidiary and is for any reason deemed by the Company or any Subsidiary to be an employee of the Company or such Subsidiary; (2) is not considered by the Company or any Subsidiary to be an independent contractor, regardless of whether the individual is in fact an employee of the Company or such Subsidiary; and (3) who at the time of his or her Separation from Service with the Company or such Subsidiary is not on a Leave of Absence Without Pay. An individual’s status as an Eligible Employee shall be determined by the Company in its sole discretion, and such determination shall be conclusively binding on all persons. Notwithstanding the foregoing, “Eligible Employee” does not include an employee or former employee of an entity the stock or assets of which are acquired by the Company or any Subsidiary, unless and until the Company’s management determines that the Plan shall be applicable to such employees or former employees.

(l) “Employer Group” means the Company and each other member of the group of commonly controlled corporations or other businesses that include the Company, as determined in accordance with Sections 414(b) and (c) of the Code and the Treasury Regulations thereunder, except that in applying Sections 1563(1), (2) and (3) of the Code for purposes of determining the controlled group of corporations under Section 414(b), the phrase “at least 50 percent” shall be used instead of “at least 80 percent” each place the latter phrase appears in such sections, and in applying Section 1.414(c)-2 of the Treasury Regulations for purposes of determining trades or businesses that are under common control for
purposes of Section 414(c), the phrase “at least 50 percent” shall be used instead of “at least 80 percent” each place the latter phrase appears in Section 1.414(c)-2 of the Treasury Regulations.

(m) “Employee” means an individual for so long as he or she is in the employ of at least one member of the Employer Group, subject to the control and direction of the applicable member of the Employer Group as to both the work to be performed and the manner and method of performance.


(o) “Leave of Absence Without Pay” means a leave of absence without pay under the Company’s leave of absence policy or applicable law, except for those leaves of absence without pay that must be recognized as Continuous Service under applicable laws.

(p) “Outsourcing Supplier” means an entity to whom the Company outsources a function performed by Eligible Employees where the Company agrees with such entity in the outsourcing agreement that it will offer jobs to current Eligible Employees performing that function for the Company.

(q) “Participant” means any Eligible Employee who has commenced participation in the Plan pursuant to Section II and whose participation has not terminated pursuant to Section III.

(r) “Plan” means this Gilead Sciences, Inc. Severance Plan, as amended from time to time.

(s) “Plan Administrator” means the Company.

(t) “Regular Earnings” means straight-time wages or salary paid to a Participant by any entity within the Employer Group for working a regular work schedule or for a leave of absence with pay, and shall, as applicable, include any amount that is contributed to any employee benefit plan on behalf of the Participant by any entity within the Employer Group under a salary reduction agreement entered into pursuant to such plan and that is excluded from the Participant’s gross income under section 125, 132(f), or 402(g) of the Code.

(u) “Release” means a waiver and general release of claims in the form prescribed by the Company in its sole discretion, pursuant to which the Participant shall waive all employment-related claims in connection with his or her employment with the Employer Group and the termination of that employment, other than claims that cannot be waived under applicable law. For employees subject to the U.S. Age Discrimination in Employment Act, such Release shall be structured so as to comply with the requirements of the Older Workers’ Benefit Protection Act, 29 U.S.C. § 626(f). The form of Release may vary among jurisdictions, categories of employees and from employee to employee within any category of employees. At the Company’s discretion, and to the extent permitted by applicable law, the Release may include non-disparagement and non-solicitation covenants as well.

(v) “Severance Pay Benefit” means a benefit provided by the Plan, as determined pursuant to Section IV.

(w) “Specified Employee” shall mean a “key employee” (within the meaning of that term under Code Section 416(i)). A Specified Employee is an Eligible Employee who, at any time during the twelve (12)-month period ending with the applicable Determination Date, is:

(i) An officer of the Company or any other member of the Affiliated Group having aggregate annual compensation from the Company and/or one or more other members of the Affiliated Group greater than the compensation limit in effect at the time under Section 416(i)(1)(A)(i) of the Code, provided that no more than fifty officers of the Company shall be determined to be Specified Employees as of any Determination Date;
A five percent owner of the Company or any other member of the Affiliated Group; or

A one percent owner of the Company or any other member of the Affiliated Group who has aggregate annual compensation from the Company and/or one or more other members of the Affiliated Group of more than $150,000.

If an Eligible Employee is determined to be a Specified Employee on a Determination Date, then such Eligible Employee shall be considered a Specified Employee for purposes of the Plan during the period beginning on the first April 1 following the Determination Date and ending on the next March 31.

For purposes of determining an officer’s compensation when identifying Specified Employees, compensation is defined in accordance with Treas. Reg. §1.415(c)-2(a), without applying any safe harbor, special timing or other special rules described in Treas. Reg. §§ 1.415(c)-2(d), 2(e) and 2(g).

“Subsidiary” means any corporation with respect to which Gilead Sciences, Inc., one or more Subsidiaries, or Gilead Sciences, Inc., together with one or more Subsidiaries, own not less than 80% of the total combined voting power of all classes of stock entitled to vote, or not less than 80% of the total value of all shares of all outstanding classes of stock.

“Successors and Assigns” means a corporation or other entity acquiring all or substantially all the assets and business of the Company (including the Plan) whether by operation of law or otherwise.

“Separation from Service” means the Participant’s cessation of Employee status. For purposes of the Plan, a Separation from Service shall be determined in accordance with the following standards:

A Separation from Service will not be deemed to have occurred if the Participant continues to provide services to one or more members of the Employer Group (whether as an employee or non-employee consultant or contractor) at an annual rate that amounts to 50% or more of the services rendered, on average, during the immediately preceding 36-months of employment with the Employer Group (or if employed by the Employer Group less than 36 months, such lesser period).

A Separation from Service will be deemed to have occurred if the Participant’s service with the Employer Group (whether as an employee or non-employee consultant or contractor) is permanently reduced to an annual rate that amounts to 20% or less of the services rendered, on average, during the immediately preceding 36 months of employment with the Employer Group (or if employed by the Employer Group less than 36 months, such lesser period).

If such services are permanently reduced to more than 20% but less than 50% of the average over the prior 36 months (or lesser period), a Separation from Service may be deemed to occur based on the facts and circumstances, including, but not limited to, whether the Participant is treated as an employee for other purposes, such as participation in employee benefit programs, and whether the Participant is able to perform services for other unrelated entities.

In addition to the foregoing, a Separation from Service will not be deemed to have occurred while the Participant is on military leave, sick leave, or other bona fide leave of absence if the period of such leave does not exceed six months or any longer period for which such Participant’s right to reemployment with one or more members of the Employer Group is provided either by statute, collective agreement or contract; provided, however, that in the event of a Participant’s leave of absence due to any medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of not less than six (6) months and that causes such individual to be unable to perform his or her duties as an Employee, no Separation from Service shall be deemed to
occur during the first twenty-nine (29) months of such leave. If the period of leave exceeds six (6) months (or twenty-nine (29) months in the event of disability as indicated above) and the Participant’s right to reemployment is not provided by statute, collective agreement or contract, then such Participant will be deemed to have a Separation from Service on the first day immediately following the expiration of such six (6)-month or twenty-nine (29) month period.

This definition of Separation from Service shall not be interpreted as limiting the right of the Company or any other member of the Employer Group to terminate the employment of an individual while on military leave, sick leave or other bona fide leave of absence, to the extent permissible under applicable law.

(aa) “2004 Equity Incentive Plan” means the Gilead Sciences, Inc. 2004 Equity Incentive Plan, as it may be amended from time to time or any successor to such plan, in which case references to a specific section of the 2004 Equity Incentive Plan shall be deemed to refer to commensurate provisions of such successor plan.

(bb) “Year of Continuous Service” means the number of days (as defined by the Company in written rules adopted by it from time to time) of Continuous Service, divided by 365. A Participant’s Severance Pay Benefit calculation shall include both full and any partial Years of Continuous Service.

XIX. EXECUTION

The Company has caused its duly-authorized officer to execute the foregoing Plan, as amended and restated effective as of May 5, 2020.

GILEAD SCIENCES, INC.

/s/ Jyoti Mehra

By: Jyoti Mehra

Executive Vice President, Human Resources
Appendix A.

Executive Chairman and Chief Executive Officer

Severance Benefits

A. Change in Control Severance Pay Benefit

If a Severance Pay Benefit becomes payable under Section IV(a)(i) in connection with a Separation from Service occurring within the period beginning six months prior to the consummation of a Change in Control and ending twenty-four months following the consummation of such Change in Control (the “Change in Control Period”), the Severance Pay Benefit shall be:

1. Three times the Participant’s annual Regular Earnings plus three times the average of the actual bonuses paid to the Participant (or otherwise earned but deferred in whole or in part) under the Company’s annual bonus plan applicable to the Participant for the three fiscal years (or such fewer number of complete fiscal years of employment) immediately preceding the fiscal year in which the Participant’s employment terminates (the “Bonus Component”). Notwithstanding the foregoing, to the extent that the Participant has not completed one full fiscal year of employment, the Bonus Component shall be calculated as three times the Participant’s target annual bonus opportunity under the Company’s annual bonus plan applicable to the Participant for the fiscal year in which the Participant’s employment terminates.

2. A pro-rated annual bonus for the fiscal year in which the Participant’s employment terminates (the “CIC Pro Rata Bonus”). The CIC Pro Rata Bonus shall equal the product of (A) the average of the actual bonuses paid to the Participant (or otherwise earned but deferred in whole or in part) under the Company’s annual bonus plan applicable to the Participant for the immediately preceding three fiscal years (or such fewer number of complete fiscal years of employment or, to the extent the Participant has not completed one full fiscal year of employment, his or her target annual bonus opportunity under such plan), multiplied by (B) a fraction, the numerator of which is that number of days Participant was employed by the Company during the year of termination and the denominator of which is the total number of days in such fiscal year.

3. For Participants other than those in the International Program for whom this subsection shall not apply, a lump sum cash payment (the “Lump Sum Health Care Payment”) in an amount equal to thirty-six (36) times the monthly cost that would be payable by the Participant, as measured as of the date of his or her termination of employment, to obtain continued medical care coverage for the Participant and his or her spouse and eligible dependents under the Company’s employee group health plan, pursuant to their COBRA rights, at the level in effect for each of them on the date of such termination of employment.

4. Outplacement services for 12 months following the date of Separation from Service, or if greater, for the minimum period permitted under any contract between the Company and its designated outplacement services provider.

5. Any Severance Pay Benefit to which a Participant becomes entitled under the Plan as a result of a Separation from Service during the Change in Control Period, together with any other payment in the nature of compensation to which he or she may become entitled that constitutes a
“parachute payment” under Section 280G of the Code, shall be subject to the following limitation (the “Benefit Limitation”):

a. If the parachute value of the Severance Pay Benefit and the other payments, as calculated in accordance with the parachute payment determination and valuation provisions of Section 280G of the Code and the applicable Treasury Regulations thereunder, does not exceed in the aggregate 110% of the safe harbor amount allowable under Section 280G of the Code without triggering a parachute payment under Section 280G(b) (2)(A) of the Code (the “Safe Harbor Amount”), then the aggregate amount of the Severance Pay Benefit and such other payments shall be reduced to the extent (if any) necessary to assure that they do not exceed the Safe Harbor Amount.

b. If the parachute value of the Severance Pay Benefit and the other payments, as calculated in accordance with the parachute payment determination and valuation provisions of Section 280G of the Code and the applicable Treasury Regulations thereunder, exceeds in the aggregate 110% of the Safe Harbor Amount, then the Severance Pay Benefit and any other amounts in the nature of a parachute payment under Code Section 280G payable to the Participant shall be limited to the greater of (x) the Safe Harbor Amount or (y) the amount that yields the Participant the greatest after-tax aggregate amount of such Severance Pay Benefit and other payments due the Participant after taking into account any excise tax imposed on those amounts under Code Section 4999.

c. All calculations required under this section A.5 shall be made by an independent registered public accounting firm (the “Auditor”) selected by the Company, and the fees of such Auditor shall be paid by the Company. Unless the Participant agrees otherwise in writing, the Auditor selected by the Company shall be a nationally recognized United States registered public accounting firm that has not during the two years preceding the date of its selection, acted in any way on behalf of the Company. The required calculations shall be provided to the Participant and the Company within ten (10) business days following the Participant’s Separation from Service during the Change in Control Period under circumstances entitling the Participant to a Severance Pay Benefit under the Plan and within ten (10) days following the occurrence of any other event triggering a parachute payment for the Participant.

d. If a reduction in the payments or benefits constituting a parachute payment under Code Section 280G is required pursuant to the Benefit Limitation imposed under this section A.5, then such reduction shall be effected in the following order: first, the Participant’s salary and bonus continuation payments under section A.1 of this Appendix A to the Plan shall be reduced (with such reduction to be applied pro-rata to each such payment and without any change to the payment dates), then the amount of the Participant’s Lump Sum Health Care Payment shall be reduced, and finally any accelerated vesting of the Participant’s equity awards under one or more of the Company’s stock compensation plans, including (without limitation) the 2004 Equity Incentive Plan and any predecessor plans, shall be reduced (based on the amount of the parachute payment calculated for each such award in accordance with the Treasury Regulations under Code Section 280G), with such reduction to occur in the same chronological order in which those awards were made.
B. **Non-Change in Control Severance Pay Benefit.**

If a Severance Pay Benefit becomes payable under Section IV(a)(i) in connection with a Separation from Service occurring at any time other than within the Change in Control Period (as defined in paragraph A of this Appendix A), then the Severance Pay Benefit shall be:

1. Two times the Participant’s annual Regular Earnings plus two times the average of the actual bonuses paid to the Participant (or otherwise earned but deferred in whole or in part) under the Company’s annual bonus plan applicable to the Participant for the three fiscal years (or such fewer number of complete fiscal years of employment) immediately preceding the fiscal year in which the Participant’s employment terminates (the “Bonus Component”). Notwithstanding the foregoing, to the extent that the Participant has not completed one full fiscal year of employment, the Bonus Component shall be calculated as two times the Participant’s target annual bonus opportunity under the Company’s annual bonus plan applicable to the Participant for the fiscal year in which the Participant’s employment terminates.

2. A pro-rated annual bonus for the fiscal year in which the Participant’s employment terminates (the “Pro Rata Bonus”). The Pro Rata Bonus shall equal the product of (A) the Participant’s earned bonus for the year in which the Separation from Service occurs (based on actual results without regard to any individual performance component) under the annual cash incentive plan in which the Participant participates immediately prior to the Participant’s Separation from Service, multiplied by (B) a fraction, the numerator of which is that number of days Participant was employed by the Company during the year of termination and the denominator of which is the total number of days in such fiscal year. The Company shall pay the Pro Rata Bonus to the Participant at the same time that annual bonus amounts for such year are paid to other Company executives and in all events by no later than March 15th of the calendar year following the year in which the Separation from Service occurs.

3. For Participants other than those in the International Program for whom this subsection shall not apply, a lump sum cash payment (the “Lump Sum Health Care Payment”) in an amount equal to twenty-four (24) times the monthly cost that would be payable by the Participant, as measured as of the date of his or her termination of employment, to obtain continued medical care coverage for the Participant and his or her spouse and eligible dependents under the Company’s employee group health plan, pursuant to their COBRA rights, at the level in effect for each of them on the date of such termination of employment.

4. Outplacement services for 12 months following the date of Separation from Service, or if greater, for the minimum period permitted under any contract between the Company and its designated outplacement services provider.
Appendix B.

Executive Vice President, Senior Vice President

and Other Executive Officers (Not Covered by Appendix A)

Severance Benefits

A. Change in Control Severance Pay Benefit.

If a Severance Pay Benefit becomes payable under Section IV(a)(i) in connection with a Separation from Service occurring within the period beginning six months prior to the consummation of a Change in Control and ending eighteen months following the consummation of such Change in Control (the “Change in Control Period”), the Severance Pay Benefit shall be:

1. 2.5 times the Participant’s annual Regular Earnings, plus 2.5 times the average of the actual bonuses paid to the Participant (or otherwise earned but deferred in whole or in part) under the Company’s annual bonus plan applicable to the Participant for the three fiscal years (or such fewer number of complete fiscal years of employment) immediately preceding the fiscal year in which the Participant’s employment terminates (the “Bonus Component”). Notwithstanding the foregoing, to the extent that the Participant has not completed one full fiscal year of employment, the Bonus Component shall be calculated as 2.5 times the Participant’s target annual bonus opportunity under the Company’s annual bonus plan applicable to the Participant for the fiscal year in which the Participant’s employment terminates.

2. A pro-rated annual bonus for the fiscal year in which the Participant’s employment terminates (the “CIC Pro Rata Bonus”). The CIC Pro Rata Bonus shall equal the product of (A) the average of the actual bonuses paid to the Participant (or otherwise earned but deferred in whole or in part) under the Company’s annual bonus plan applicable to the Participant for the immediately preceding three fiscal years (or such fewer number of complete fiscal years of employment or, to the extent the Participant has not completed one full fiscal year of employment, his or her target annual bonus opportunity under such plan), multiplied by (B) a fraction, the numerator of which is that number of days Participant was employed by the Company during the year of termination and the denominator of which is the total number of days in such fiscal year.

3. For Participants other than those in the International Program for whom this subsection shall not apply, a lump sum cash payment (the “Lump Sum Health Care Payment”) in an amount equal to thirty (30) times the monthly cost that would be payable by the Participant, as measured as of the date of his or her termination of employment, to obtain continued medical care coverage for the Participant and his or her spouse and eligible dependents under the Company’s employee group health plan, pursuant to their COBRA rights, at the level in effect for each of them on the date of such termination of employment.

4. Outplacement services for 6 months following the date of Separation from Service, or if greater, for the minimum period permitted under any contract between the Company and its designated outplacement services provider.

5. Any Severance Pay Benefit to which a Participant becomes entitled under the Plan as a result of a Separation from Service during the Change in Control Period, together with any other payment in the nature of compensation to which he or she may become entitled that constitutes a “parachute payment” under Section 280G of the Code, shall be subject to the following limitation (the “Benefit Limitation”):
a. If the parachute value of the Severance Pay Benefit and the other payments, as calculated in accordance with the parachute payment determination and valuation provisions of Section 280G of the Code and the applicable Treasury Regulations thereunder, does not exceed in the aggregate 110% of the safe harbor amount allowable under Section 280G of the Code without triggering a parachute payment under Section 280G(b)(2)(A) of the Code (the “Safe Harbor Amount”), then the aggregate amount of the Severance Pay Benefit and such other payments shall be reduced to the extent (if any) necessary to assure that they do not exceed the Safe Harbor Amount.

b. If the parachute value of the Severance Pay Benefit and the other payments, as calculated in accordance with the parachute payment determination and valuation provisions of Section 280G of the Code and the applicable Treasury Regulations thereunder, exceeds in the aggregate 110% of the Safe Harbor Amount, then the Severance Pay Benefit and any other amounts in the nature of a parachute payment under Code Section 280G payable to the Participant shall be limited to the greater of (x) the Safe Harbor Amount or (y) the amount that yields the Participant the greatest after-tax aggregate amount of such Severance Pay Benefit and other payments due the Participant after taking into account any excise tax imposed on those amounts under Code Section 4999.

c. All calculations required under this section A.5 shall be made by an independent registered public accounting firm (the “Auditor”) selected by the Company, and the fees of such Auditor shall be paid by the Company. Unless the Participant agrees otherwise in writing, the Auditor selected by the Company shall be a nationally recognized United States registered public accounting firm that has not during the two years preceding the date of its selection, acted in any way on behalf of the Company. The required calculations shall be provided to the Participant and the Company within ten (10) business days following the Participant’s Separation from Service during the Change in Control Period under circumstances entitling the Participant to a Severance Pay Benefit under the Plan and within ten (10) days following the occurrence of any other event triggering a parachute payment for the Participant.

d. If a reduction in the payments or benefits constituting a parachute payment under Code Section 280G is required pursuant to the Benefit Limitation imposed under this section A.5, then such reduction shall be effected in the following order: first, the Participant’s salary and bonus continuation payments under section A.1 of this Appendix B to the Plan shall be reduced (with such reduction to be applied pro-rata to each such payment and without any change to the payment dates), then the amount of the Participant’s Lump Sum Health Care Payment shall be reduced, and finally any accelerated vesting of the Participant’s equity awards under one or more of the Company’s stock compensation plans, including (without limitation) the 2004 Equity Incentive Plan and any predecessor plans, shall be reduced (based on the amount of the parachute payment calculated for each such award in accordance with the Treasury Regulations under Code Section 280G), with such reduction to occur in the same chronological order in which those awards were made.

B. Non-Change in Control Severance Pay Benefit

If a Severance Pay Benefit becomes payable under Section IV(a)(i) in connection with a Separation from Service occurring at any time other than within the Change in Control Period (as defined in paragraph A of this Appendix B), then the Severance Pay Benefit shall be:
1. 1.5 times the Participant’s annual Regular Earnings plus 1.0 times the average of the actual bonuses paid to the Participant (or otherwise earned but deferred in whole or in part) under the Company’s annual bonus plan applicable to the Participant for the three fiscal years (or such fewer number of complete fiscal years of employment) immediately preceding the fiscal year in which the Participant’s employment terminates (the “Bonus Component”). Notwithstanding the foregoing, to the extent that the Participant has not completed one full fiscal year of employment, the Bonus Component shall be calculated as 1.0 times the Participant’s target annual bonus opportunity under the Company’s annual bonus plan applicable to the Participant for the fiscal year in which the Participant’s employment terminates.

2. A pro-rated annual bonus for the fiscal year in which the Participant’s employment terminates (the “Pro Rata Bonus”).
   a. In the case of a Participant who is an “executive officer” within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended, at any point during the year in which the Separation from Service occurs, the Pro Rata Bonus shall equal the product of (A) the Participant’s earned bonus for the year in which the Separation from Service occurs (based on actual results without regard to any individual performance component) under the annual cash incentive plan in which the Participant participates immediately prior to the Participant’s Separation from Service, multiplied by (B) a fraction, the numerator of which is that number of days Participant was employed by the Company during the year of termination and the denominator of which is the total number of days in such fiscal year. The Company shall pay the Pro Rata Bonus to the Participant at the same time that annual bonus amounts for such year are paid to other Company executives and in all events by no later than March 15th of the calendar year following the year in which the Separation from Service occurs.
   b. In the case of a Participant who is not an “executive officer” within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended, at any point during the year in which the Separation from Service occurs, the Pro Rata Bonus shall equal the product of (A) the Participant’s bonus for the year in which the Separation from Service occurs (based on target achievement) under the annual cash incentive plan in which the Participant participates immediately prior to the Participant’s Separation from Service, multiplied by (B) a fraction, the numerator of which is that number of days Participant was employed by the Company during the year of termination and the denominator of which is the total number of days in such fiscal year. The Company shall pay the Pro Rata Bonus to the Participant as soon as administratively practicable after the Separation from Service and in all events within sixty (60) days thereafter.

3. For Participants other than those in the International Program for whom this subsection shall not apply, a lump sum cash payment (the “Lump Sum Health Care Payment”) in an amount equal to eighteen (18) times the monthly cost that would be payable by the Participant, as measured as of the date of his or her termination of employment, to obtain continued medical care coverage for the Participant and his or her spouse and eligible dependents under the Company's employee group health plan, pursuant to their COBRA rights, at the level in effect for each of them on the date of such termination of employment.

4. Outplacement services for 6 months following the date of Separation from Service, or if greater, for the minimum period permitted under any contract between the Company and its designated outplacement services provider.
Appendix C.

Vice President and Kite Vice President Benefits

A. Change in Control Severance Pay Benefit

If a Severance Pay Benefit becomes payable under Section IV(a)(i) in connection with a Separation from Service occurring within the period beginning six months prior to the consummation of a Change in Control and ending twelve months following the consummation of such Change in Control (the “Change in Control Period”), the Severance Pay Benefit shall be:

1. 1.5 times the Participant’s annual Regular Earnings, plus 1.5 times the average of the actual bonuses paid to the Participant (or otherwise earned but deferred in whole or in part) under the Company’s annual bonus plan applicable to the Participant for the three fiscal years (or such fewer number of complete fiscal years of employment) immediately preceding the fiscal year in which the Participant’s employment terminates (the “Bonus Component”). Notwithstanding the foregoing, to the extent that the Participant has not completed one full fiscal year of employment, the Bonus Component shall be calculated as 1.5 times the Participant’s target annual bonus opportunity under the Company’s annual bonus plan applicable to the Participant for the fiscal year in which the Participant’s employment terminates.

2. A pro-rated annual bonus for the fiscal year in which the Participant’s employment terminates (the “CIC Pro Rata Bonus”). The CIC Pro Rata Bonus shall equal the product of (A) the average of the actual bonuses paid to the Participant (or otherwise earned but deferred in whole or in part) under the Company’s annual bonus plan applicable to the Participant for the immediately preceding three fiscal years (or such fewer number of complete fiscal years of employment or, to the extent the Participant has not completed one full fiscal year of employment, his or her target annual bonus opportunity under such plan), multiplied by (B) a fraction, the numerator of which is that number of days Participant was employed by the Company during the year of termination and the denominator of which is the total number of days in such fiscal year.

3. For Participants other than those in the International Program for whom this subsection shall not apply, a lump sum cash payment (the “Lump Sum Health Care Payment”) in an amount equal to eighteen (18) times the monthly cost that would be payable by the Participant, as measured as of the date of his or her termination of employment, to obtain continued medical care coverage for the Participant and his or her spouse and eligible dependents under the Company’s employee group health plan, pursuant to their COBRA rights, at the level in effect for each of them on the date of such termination of employment.

4. Outplacement services for 6 months following the date of Separation from Service, or if greater, for the minimum period permitted under any contract between the Company and its designated outplacement services provider.

5. Any Severance Pay Benefit to which a Participant becomes entitled under the Plan as a result of a Separation from Service during the Change in Control Period, together with any other payment in the nature of compensation to which he or she may become entitled that constitutes a “parachute payment” under Section 280G of the Code, shall be subject to the following limitation (the “Benefit Limitation”):

   a. If the parachute value of the Severance Pay Benefit and the other payments, as calculated in accordance with the parachute payment determination and valuation provisions of Section 280G of the Code and the applicable Treasury Regulations thereunder, does not
exceed in the aggregate 110% of the safe harbor amount allowable under Section 280G of the Code without triggering a parachute payment under Section 280G(b)(2)(A) of the Code (the “Safe Harbor Amount”), then the aggregate amount of the Severance Pay Benefit and such other payments shall be reduced to the extent (if any) necessary to assure that they do not exceed the Safe Harbor Amount.

b. If the parachute value of the Severance Pay Benefit and the other payments, as calculated in accordance with the parachute payment determination and valuation provisions of Section 280G of the Code and the applicable Treasury Regulations thereunder, exceeds in the aggregate 110% of the Safe Harbor Amount, then the Severance Pay Benefit and any other amounts in the nature of a parachute payment under Code Section 280G payable to the Participant shall be limited to the greater of (x) the Safe Harbor Amount or (y) the amount that yields the Participant the greatest after-tax aggregate amount of such Severance Pay Benefit and other payments due the Participant after taking into account any excise tax imposed on those amounts under Code Section 4999.

c. All calculations required under this section A.5 shall be made by an independent registered public accounting firm (the “Auditor”) selected by the Company, and the fees of such Auditor shall be paid by the Company. Unless the Participant agrees otherwise in writing, the Auditor selected by the Company shall be a nationally recognized United States registered public accounting firm that has not during the two years preceding the date of its selection, acted in any way on behalf of the Company. The required calculations shall be provided to the Participant and the Company within ten (10) business days following the Participant’s Separation from Service during the Change in Control Period under circumstances entitling the Participant to a Severance Pay Benefit under the Plan and within ten (10) days following the occurrence of any other event triggering a parachute payment for the Participant.

d. If a reduction in the payments or benefits constituting a parachute payment under Code Section 280G is required pursuant to the Benefit Limitation imposed under this section A.5, then such reduction shall be effected in the following order: first, the Participant’s salary and bonus continuation payments under section A.1 of this Appendix C to the Plan shall be reduced (with such reduction to be applied pro-rata to each such payment and without any change to the payment dates), then the amount of the Participant’s Lump Sum Health Care Payment shall be reduced, and finally any accelerated vesting of the Participant’s equity awards under one or more of the Company’s stock compensation plans, including (without limitation) the 2004 Equity Incentive Plan and any predecessor plans, shall be reduced (based on the amount of the parachute payment calculated for each such award in accordance with the Treasury Regulations under Code Section 280G), with such reduction to occur in the same chronological order in which those awards were made.

B. Non-Change in Control Severance Pay Benefit for Vice Presidents.

If the Severance Pay Benefit becomes payable under Section IV(a)(i) in connection with a Separation from Service occurring at any time other than the Change in Control Period (as defined in paragraph A of this Appendix C), then the Severance Pay Benefit shall be:

1. 1.0 times the Participant’s annual Regular Earnings.

2. A pro-rated annual bonus for the fiscal year in which the Participant’s employment terminates (the “Pro Rata Bonus”). The Pro Rata Bonus shall equal the product of (A) the Participant’s
bonus for the year in which the Separation from Service occurs (based on target achievement) under the annual cash incentive plan in which the Participant participates immediately prior to the Participant’s Separation from Service, multiplied by (B) a fraction, the numerator of which is that number of days Participant was employed by the Company during the year of termination and the denominator of which is the total number of days in such fiscal year. The Company shall pay the Pro Rata Bonus to the Participant as soon as administratively practicable after the Separation from Service and in all events within sixty (60) days thereafter.

3. For Participants other than those in the International Program for whom this subsection shall not apply, a lump sum cash payment (the “Lump Sum Health Care Payment”) in an amount equal to twelve (12) times the monthly cost that would be payable by the Participant, as measured as of the date of his or her termination of employment, to obtain continued medical care coverage for the Participant and his or her spouse and eligible dependents under the Company’s employee group health plan, pursuant to their COBRA rights, at the level in effect for each of them on the date of such termination of employment.

4. Outplacement services for 6 months following the date of Separation from Service, or if greater, for the minimum period permitted under any contract between the Company and its designated outplacement services provider.
Appendix D.

Severance Benefits for Eligible Employees other than Executive Chairman, Chief Executive Officer, Executive Vice President, Senior Vice President, Vice President and Kite Vice Presidents

This Appendix is effective for covered individuals who cease Employee status on or after May 5, 2020, unless they have a pre-existing contract providing a different level of severance pay.

A. Change in Control Severance Pay Benefit.

If a Severance Pay Benefit becomes payable under Section IV(a)(i) in connection with a Separation from Service occurring within the 12-month period following a Change in Control (the “Change in Control Period”), then regardless of the period of Continuous Service the Severance Pay Benefit shall be:

1. Eligible Employees in Grades 31 through 34:
   a. Three weeks of the Participant’s Regular Earnings times the Participant’s Years of Continuous Service, with a maximum of 52 weeks of Regular Earnings and a minimum of 22 weeks of Regular Earnings.
   b. A pro-rated annual bonus for the fiscal year in which the Participant’s employment terminates (the “CIC Pro Rata Bonus”). The CIC Pro Rata Bonus shall equal the product of (A) the average of the actual bonuses paid to the Participant (or otherwise earned but deferred in whole or in part) under the Company’s annual bonus plan applicable to the Participant for the immediately preceding three fiscal years (or such fewer number of complete fiscal years of employment or, to the extent the Participant has not completed one full fiscal year of employment, his or her target annual bonus opportunity under such plan), multiplied by (B) a fraction, the numerator of which is that number of days Participant was employed by the Company during the year of termination and the denominator of which is the total number of days in such fiscal year.
   c. For Participants other than those in the International Program for whom this subsection shall not apply, a lump sum cash payment (the “Lump Sum Health Care Payment”) in the dollar amount determined by multiplying (A) the number of months (rounded up to the next whole month) in the applicable severance pay period determined for the Participant in accordance with Paragraph A.1.a above by (B) the monthly cost that would be payable by the Participant, as measured as of the date of his or her termination of employment, to obtain continued medical care coverage for the Participant and his or her spouse and eligible dependents under the Company’s employee group health plan, pursuant to their COBRA rights, at the level in effect for each of them on the date of the Participant’s termination of employment.
   d. Outplacement services for 6 months following the date of Separation from Service, or if greater, for the minimum period permitted under any contract between the Company and its designated outplacement services provider.

2. Eligible Employees in Grades 25 through 30:
   a. Three weeks of the Participant’s Regular Earnings times the Participant’s Years of Continuous Service, with a maximum of 39 weeks of Regular Earnings and a minimum of 13 weeks of Regular Earnings.
b. A pro-rated annual bonus for the fiscal year in which the Participant’s employment terminates (the “CIC Pro Rata Bonus”). The CIC Pro Rata Bonus shall equal the product of (A) the average of the actual bonuses paid to the Participant (or otherwise earned but deferred in whole or in part) under the Company’s annual bonus plan applicable to the Participant for the immediately preceding three fiscal years (or such fewer number of complete fiscal years of employment or, to the extent the Participant has not completed one full fiscal year of employment, his or her target annual bonus opportunity under such plan), multiplied by (B) a fraction, the numerator of which is that number of days Participant was employed by the Company during the year of termination and the denominator of which is the total number of days in such fiscal year.

c. For Participants other than those in the International Program for whom this subsection shall not apply, a lump sum cash payment (the “Lump Sum Health Care Payment”) in the dollar amount determined by multiplying (A) the number of months (rounded up to the next whole month) in the applicable severance pay period determined for the Participant in accordance with Paragraph A.2.a above by (B) the monthly cost that would be payable by the Participant, as measured as of the date of his or her termination of employment, to obtain continued medical care coverage for the Participant and his or her spouse and eligible dependents under the Company’s employee group health plan, pursuant to their COBRA rights, at the level in effect for each of them on the date of the Participant’s termination of employment.

d. Outplacement services for 3 months following the date of Separation from Service, or if greater, for the minimum period permitted under any contract between the Company and its designated outplacement services provider.

3. Eligible Employees in Grades 22 through 24:

   a. Three weeks of the Participant’s Regular Earnings times the Participant’s Years of Continuous Service, with a maximum of 26 weeks of Regular Earnings and a minimum of 9 weeks of Regular Earnings.

   b. A pro-rated annual bonus for the fiscal year in which the Participant’s employment terminates (the “CIC Pro Rata Bonus”). The CIC Pro Rata Bonus shall equal the product of (A) the average of the actual bonuses paid to the Participant (or otherwise earned but deferred in whole or in part) under the Company’s annual bonus plan applicable to the Participant for the immediately preceding three fiscal years (or such fewer number of complete fiscal years of employment or, to the extent the Participant has not completed one full fiscal year of employment, his or her target annual bonus opportunity under such plan), multiplied by (B) a fraction, the numerator of which is that number of days Participant was employed by the Company during the year of termination and the denominator of which is the total number of days in such fiscal year.

   c. For Participants other than those in the International Program for whom this subsection shall not apply, a lump sum cash payment (the “Lump Sum Health Care Payment”) in the dollar amount determined by multiplying (A) the number of months (rounded up to the next whole month) in the applicable severance pay period determined for the Participant in accordance with Paragraph A.3.a above by (B) the monthly cost that would be payable by the Participant, as measured as of the date of his or her termination of employment, to obtain continued medical care coverage for the Participant and his or her spouse and eligible dependents under the Company’s employee group health plan, pursuant to their COBRA rights.
COBRA rights, at the level in effect for each of them on the date of the Participant’s termination of employment.

d. Outplacement services for 1 week following the date of Separation from Service, or if greater, for the minimum period permitted under any contract between the Company and its designated outplacement services provider.

B. Non-Change in Control Severance Pay Benefit for Participants with at Least Six Months of Continuous Service.

If a Severance Pay Benefit becomes payable under Section IV(a)(i) after completion of six or more months of Continuous Service in connection with a Separation from Service occurring at any time other than within the Change in Control Period (as defined in paragraph A of this Appendix D), then the Severance Pay Benefit shall be:

1. Eligible Employees in Grades 31 through 34.

   a. Three weeks of the Participant’s Regular Earnings times the Participant’s Years of Continuous Service, with a maximum of 39 weeks of Regular Earnings and a minimum of 13 weeks of Regular Earnings.

   b. A pro-rated annual bonus for the fiscal year in which the Participant’s employment terminates (the “Pro Rata Bonus”). The Pro Rata Bonus shall equal the product of (A) the Participant’s bonus for the year in which the Separation from Service occurs (based on target achievement) under the annual cash incentive plan in which the Participant participates immediately prior to the Participant’s Separation from Service, multiplied by (B) a fraction, the numerator of which is that number of days Participant was employed by the Company during the year of termination and the denominator of which is the total number of days in such fiscal year. The Company shall pay the Pro Rata Bonus to the Participant as soon as administratively practicable after the Separation from Service and in all events within sixty (60) days thereafter.

   c. For Participants other than those in the International Program for whom this subsection shall not apply, a lump sum cash payment (the “Lump Sum Health Care Payment”) in the dollar amount determined by multiplying (A) the number of months (rounded up to the next whole month) in the applicable severance pay period determined for the Participant in accordance with Paragraph B.1.a above by (B) the monthly cost that would be payable by the Participant, as measured as of the date of his or her termination of employment, to obtain continued medical care coverage for the Participant and his or her spouse and eligible dependents under the Company’s employee group health plan, pursuant to their COBRA rights, at the level in effect for each of them on the date of the Participant’s termination of employment.

   d. Outplacement services for 3 months following the date of Separation from Service, or if greater, for the minimum period permitted under any contract between the Company and its designated outplacement services provider.

2. Eligible Employees in Grades 25 through 30:

   a. Three weeks of the Participant’s Regular Earnings times the Participant’s Years of Continuous Service, with a maximum of 39 weeks of Regular Earnings and a minimum of 13 weeks of Regular Earnings.
b. A pro-rated annual bonus for the fiscal year in which the Participant’s employment terminates (the “Pro Rata Bonus”). The Pro Rata Bonus shall equal the product of (A) the Participant’s bonus for the year in which the Separation from Service occurs (based on target achievement) under the annual cash incentive plan in which the Participant participates immediately prior to the Participant’s Separation from Service, multiplied by (B) a fraction, the numerator of which is that number of days Participant was employed by the Company during the year of termination and the denominator of which is the total number of days in such fiscal year. The Company shall pay the Pro Rata Bonus to the Participant as soon as administratively practicable after the Separation from Service and in all events within sixty (60) days thereafter.

c. For Participants other than those in the International Program for whom this subsection shall not apply, a lump sum cash payment (the “Lump Sum Health Care Payment”) in the dollar amount determined by multiplying (A) the number of months (rounded up to the next whole month) in the applicable severance pay period determined for the Participant in accordance with Paragraph B.2.a above by (B) the monthly cost that would be payable by the Participant, as measured as of the date of his or her termination of employment, to obtain continued medical care coverage for the Participant and his or her spouse and eligible dependents under the Company’s employee group health plan, pursuant to their COBRA rights, at the level in effect for each of them on the date of the Participant’s termination of employment.

d. Outplacement services for 3 months following the date of Separation from Service, or if greater, for the minimum period permitted under any contract between the Company and its designated outplacement services provider.

3. Eligible Employees in Grades 22 through 24:

a. Three weeks of the Participant’s Regular Earnings times the Participant’s Years of Continuous Service, with a maximum of 26 weeks of Regular Earnings and a minimum of 9 weeks of Regular Earnings.

b. A pro-rated annual bonus for the fiscal year in which the Participant’s employment terminates (the “Pro Rata Bonus”). The Pro Rata Bonus shall equal the product of (A) the Participant’s bonus for the year in which the Separation from Service occurs (based on target achievement) under the annual cash incentive plan in which the Participant participates immediately prior to the Participant’s Separation from Service, multiplied by (B) a fraction, the numerator of which is that number of days Participant was employed by the Company during the year of termination and the denominator of which is the total number of days in such fiscal year. The Company shall pay the Pro Rata Bonus to the Participant as soon as administratively practicable after the Separation from Service and in all events within sixty (60) days thereafter.

c. For Participants other than those in the International Program for whom this subsection shall not apply, a lump sum cash payment (the “Lump Sum Health Care Payment”) in the dollar amount determined by multiplying (A) the number of months (rounded up to the next whole month) in the applicable severance pay period determined for the Participant in accordance with Paragraph B.3.a above by (B) the monthly cost that would be payable by the Participant, as measured as of the date of his or her termination of employment, to obtain continued medical care coverage for the Participant and his or her spouse and eligible dependents under the Company’s employee group health plan, pursuant to their
COBRA rights, at the level in effect for each of them on the date of the Participant’s termination of employment.

d. Outplacement services for 1 week following the date of Separation from Service, or if greater, for the minimum period permitted under any contract between the Company and its designated outplacement services provider.

C. **Non Change in Control Severance Pay Benefit Without Six Months of Continuous Service.**

For Eligible Employees in Grades 22 through 34 who have not completed six or more months of Continuous Service but are eligible for a severance benefit under Section IV(a)(i), if the Severance Pay Benefit becomes payable in connection with a Separation from Service occurring at any time other than within the Change Control Period (as defined in paragraph A of this Appendix D), then the Severance Pay Benefit shall be:

1. 4 weeks of the Participant’s Regular Earnings.

2. A pro-rated annual bonus for the fiscal year in which the Participant’s employment terminates (the “Pro Rata Bonus”). The Pro Rata Bonus shall equal the product of (A) the Participant’s bonus for the year in which the Separation from Service occurs (based on target achievement) under the annual cash incentive plan in which the Participant participates immediately prior to the Participant’s Separation from Service, multiplied by (B) a fraction, the numerator of which is that number of days Participant was employed by the Company during the year of termination and the denominator of which is the total number of days in such fiscal year. The Company shall pay the Pro Rata Bonus to the Participant as soon as administratively practicable after the Separation from Service and in all events within sixty (60) days thereafter.

3. For Participants other than those in the International Program for whom this subsection shall not apply, a lump sum cash payment (the “Lump Sum Health Care Payment”) in the amount equal to one (1) times the monthly cost that would be payable by the Participant, as measured as of the date of his or her termination of employment, to obtain continued medical care coverage for the Participant and his or her spouse and eligible dependents under the Company’s employee group health plan, pursuant to their COBRA rights, at the level in effect for each of them on the date of the Participant’s termination of employment.

4. Outplacement services for 1 week following the date of Separation from Service, or if greater, for the minimum period permitted under any contract between the Company and its designated outplacement services provider.
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May 4, 2020

Johanna Mercier

Dear Johanna,

This letter agreement is entered into between Gilead Sciences, Inc. (“Gilead”) and you to confirm the extension of certain relocation assistance benefits provided to you pursuant to the Offer Letter between you and Gilead dated May 21, 2019 (the “Offer Letter”).

Pursuant to the Offer Letter, Gilead agreed to provide you with up to 12 months of temporary accommodations in a fully furnished corporate apartment. The initial 12-month term of your temporary accommodations is set to expire on July 10, 2020. Subject to your execution of this letter agreement, Gilead agrees to provide a one-time cash payment to you in an amount of $350,000 to help cover your anticipated costs in extending your temporary accommodations for an additional 12 months (the “Extended Temporary Housing Payment”). Your Extended Temporary Housing Payment will be paid to you in one lump sum, net of all applicable taxes, no later than July 31, 2020.

If your employment should terminate within one year following the date on which you receive the Extended Temporary Housing Payment, the full, gross cash amount of the Extended Temporary Housing Payment must be repaid to Gilead within 90 days after your last date of employment, except that you will have no such repayment obligation if your employment is terminated by Gilead without Cause (as defined in the Gilead Sciences, Inc. 2004 Equity Incentive Plan, as amended) or by you for Good Reason (as defined in the Offer Letter).

You agree by signing below that Gilead has made no other promises with regard to the matters discussed herein other than what is outlined in this letter. In case of any conflict between this letter and the terms of any other letter or agreement, this letter will be controlling. This agreement can only be modified by written agreement signed by you and Gilead’s representative.

Please execute this letter agreement where indicated below and return a copy to Gilead to evidence your agreement. I look forward to continuing our work on the organization’s short and long-term success.

Sincerely,

/s/ Daniel O’Day

Daniel O’Day
CEO and Chairman

Foregoing terms and conditions hereby accepted:

Signature: /s/ Johanna Mercier
Name: Johanna Mercier
Date: May 8th 2020
CERTIFICATION

I, Daniel P. O’Day, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gilead Sciences, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 6, 2020

/s/ DANIEL P. O’DAY

Daniel P. O’Day
Chairman and Chief Executive Officer
CERTIFICATION

I, Andrew D. Dickinson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gilead Sciences, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 6, 2020

/s/ ANDREW D. DICKINSON
Andrew D. Dickinson
Executive Vice President and Chief Financial Officer
CERTIFICATIONS

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350, as adopted), Daniel P. O'Day, the Chairman and Chief Executive Officer of Gilead Sciences, Inc. (the Company), and Andrew D. Dickinson, the Executive Vice President and Chief Financial Officer of the Company, each hereby certifies that, to the best of his or her knowledge:

1. The Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 (the Report) fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 6, 2020

/s/ DANIEL P. O’DAY
Chairman and Chief Executive Officer

/s/ ANDREW D. DICKINSON
Executive Vice President and Chief Financial Officer

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.