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

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**FORM 10-Q**

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

**For the quarterly period ended March 31, 2021**

or

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

Commission File No. 0-19731

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**GILEAD SCIENCES, INC.**

(Exact Name of Registrant as Specified in Its Charter)

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**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)

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**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 ☒ 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 ☒ 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 ☒ 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 ☒

Number of shares outstanding of the issuer's common stock, par value \$0.001 per share, as of April 30, 2021: 1,254,178,166

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# GILEAD SCIENCES, INC.

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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®, HEPCLUDEX® (BULEVIRTIDE), HARVONI®, HEPSERA®, JYSELECA®, LETAIRIS®, ODEFSEY®, RANEXA®, SOVALDI®, STRIBILD®, TECARTUS®, TRODELVY®, TRUVADA®, TRUVADA FOR PREP®, TYBOST®, VEKLURY®, 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)	March 31, 2021	December 31, 2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,065	\$ 5,997
Short-term marketable securities	1,601	1,411
Accounts receivable, net	3,925	4,892
Inventories	1,779	1,683
Prepaid and other current assets	1,908	2,013
Total current assets	13,278	15,996
Property, plant and equipment, net	4,990	4,967
Long-term marketable securities	579	502
Intangible assets, net	34,781	33,126
Goodwill	8,334	8,108
Other long-term assets	5,530	5,708
Total assets	\$ 67,492	\$ 68,407
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 570	\$ 844
Accrued government and other rebates	3,369	3,460
Accrued and other current liabilities	3,507	4,336
Current portion of long-term debt and other obligations, net	2,259	2,757
Total current liabilities	9,705	11,397
Long-term debt, net	27,907	28,645
Long-term income taxes payable	5,022	5,016
Deferred tax liability	4,464	3,914
Other long-term obligations	1,430	1,214
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock, par value \$0.001 per share; 5 shares authorized; none outstanding	—	—
Common stock, par value \$0.001 per share; 5,600 shares authorized; 1,254 shares issued and outstanding	1	1
Additional paid-in capital	4,092	3,880
Accumulated other comprehensive income (loss)	38	(60)
Retained earnings	14,821	14,381
Total Gilead stockholders' equity	18,952	18,202
Noncontrolling interest	12	19
Total stockholders' equity	18,964	18,221
Total liabilities and stockholders' equity	\$ 67,492	\$ 68,407

See accompanying notes.

**GILEAD SCIENCES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(unaudited)

(in millions, except per share amounts)	Three Months Ended March 31,	
	2021	2020
Revenues:		
Product sales	\$ 6,340	\$ 5,467
Royalty, contract and other revenues	83	81
Total revenues	6,423	5,548
Costs and expenses:		
Cost of goods sold	1,361	969
Research and development expenses	1,055	1,004
Acquired in-process research and development expenses	62	97
Selling, general and administrative expenses	1,055	1,076
Total costs and expenses	3,533	3,146
Income from operations	2,890	2,402
Interest expense	(257)	(241)
Other income (expense), net	(369)	(158)
Income before income taxes	2,264	2,003
Income tax expense	542	465
Net income	1,722	1,538
Net loss attributable to noncontrolling interest	(7)	(13)
Net income attributable to Gilead	\$ 1,729	\$ 1,551
Net income per share attributable to Gilead common stockholders - basic	\$ 1.38	\$ 1.23
Shares used in per share calculation - basic	1,256	1,262
Net income per share attributable to Gilead common stockholders - diluted	\$ 1.37	\$ 1.22
Shares used in per share calculation - diluted	1,262	1,270

See accompanying notes.

**GILEAD SCIENCES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(unaudited)

(in millions)	Three Months Ended March 31,	
	2021	2020
Net income	\$ 1,722	\$ 1,538
Other comprehensive income (loss):		
Net foreign currency translation gain (loss), net of tax	10	(39)
Available-for-sale debt securities:		
Net unrealized loss, net of tax	(2)	(23)
Reclassifications to net income, net of tax	—	(11)
Net change	(2)	(34)
Cash flow hedges:		
Net unrealized gain, net of tax	68	57
Reclassifications to net income, net of tax	22	(23)
Net change	90	34
Other comprehensive income (loss)	98	(39)
Comprehensive income	1,820	1,499
Comprehensive loss attributable to noncontrolling interest	(7)	(13)
Comprehensive income attributable to Gilead	\$ 1,827	\$ 1,512

See accompanying notes.

**GILEAD SCIENCES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(unaudited)

Three Months Ended March 31, 2021							
(in millions, except per share amounts)	Gilead Stockholders' Equity						
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interest	Total Stockholders' Equity
	Shares	Amount					
Balance at December 31, 2020	1,254	\$ 1	\$ 3,880	\$ (60)	\$ 14,381	\$ 19	\$ 18,221
Net income (loss)	—	—	—	—	1,729	(7)	1,722
Other comprehensive income, net of tax	—	—	—	98	—	—	98
Issuances under employee stock purchase plan	1	—	76	—	—	—	76
Issuances under equity incentive plans	5	—	12	—	—	—	12
Stock-based compensation	—	—	140	—	—	—	140
Repurchases of common stock	(6)	—	(16)	—	(383)	—	(399)
Dividends declared (\$0.71 per share)	—	—	—	—	(906)	—	(906)
Balance at March 31, 2021	1,254	\$ 1	\$ 4,092	\$ 38	\$ 14,821	\$ 12	\$ 18,964

Three Months Ended March 31, 2020							
(in millions, except per share amounts)	Gilead Stockholders' Equity						
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interest	Total Stockholders' Equity
	Shares	Amount					
Balance at December 31, 2019	1,266	\$ 1	\$ 3,051	\$ 85	\$ 19,388	\$ 125	\$ 22,650
Cumulative effect from the adoption of new accounting standard	—	—	—	—	(7)	—	(7)
Net income (loss)	—	—	—	—	1,551	(13)	1,538
Other comprehensive loss, net of tax	—	—	—	(39)	—	—	(39)
Issuances under employee stock purchase plan	1	—	66	—	—	—	66
Issuances under equity incentive plans	7	—	111	—	—	—	111
Stock-based compensation	—	—	141	—	—	—	141
Repurchases of common stock	(20)	—	(58)	—	(1,356)	—	(1,414)
Dividends declared (\$0.68 per share)	—	—	—	—	(867)	—	(867)
Balance at March 31, 2020	1,254	\$ 1	\$ 3,311	\$ 46	\$ 18,709	\$ 112	\$ 22,179

See accompanying notes.

**GILEAD SCIENCES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited)

(in millions)	Three Months Ended March 31,	
	2021	2020
<b>Operating Activities:</b>		
Net income	\$ 1,722	\$ 1,538
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	78	68
Amortization expense	395	281
Stock-based compensation expense	139	141
Acquired in-process research and development expenses	62	97
Deferred income taxes	71	56
Net losses from equity securities	351	283
Other	201	73
Changes in operating assets and liabilities:		
Accounts receivable, net	975	(376)
Inventories	(69)	15
Prepaid expenses and other	(8)	46
Accounts payable	(253)	(109)
Income taxes payable	(316)	(127)
Accrued and other liabilities	(738)	(550)
Net cash provided by operating activities	2,610	1,436
<b>Investing Activities:</b>		
Purchases of marketable debt securities	(931)	(13,158)
Proceeds from sales of marketable debt securities	60	9,656
Proceeds from maturities of marketable debt securities	619	3,449
Acquisitions, including in-process research and development, net of cash acquired	(1,255)	(63)
Purchases of equity securities	(279)	(8)
Capital expenditures	(165)	(171)
Other	(91)	(49)
Net cash used in investing activities	(2,042)	(344)
<b>Financing Activities:</b>		
Proceeds from issuances of common stock	88	177
Repurchases of common stock	(309)	(1,328)
Repayments of debt and other obligations	(1,250)	(500)
Payments of dividends	(917)	(874)
Other	(89)	(86)
Net cash used in financing activities	(2,477)	(2,611)
Effect of exchange rate changes on cash and cash equivalents	(23)	(61)
Net change in cash and cash equivalents	(1,932)	(1,580)
Cash and cash equivalents at beginning of period	5,997	11,631
Cash and cash equivalents at end of period	\$ 4,065	\$ 10,051

See accompanying notes.

**GILEAD SCIENCES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(unaudited)

**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 a variable interest entity (“VIE”) 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 Income 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 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, 2020, 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, as the chief operating decision-maker (“CODM”), manages and allocates resources to the operations of the company on an entity-wide basis. Managing and allocating resources on an entity-wide basis enables our CODM 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 a summary of disaggregated revenues by product and geographic region.

**Significant Accounting Policies, Estimates and Judgments**

The preparation of these Condensed Consolidated Financial Statements in accordance with U.S. generally accepted accounting principles requires management 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 coronavirus disease (“COVID-19”) could have on our significant accounting estimates. Actual results may differ significantly from these estimates.

**Reclassification**

Certain amounts for the three months ended March 31, 2020 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 Income. Our Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2020, has also been conformed to separately present acquired IPR&D expenses.



**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 these financial instruments. 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. There were no material write-offs charged against the allowance for the three months ended March 31, 2021 and 2020.

Certain of the raw materials and components that we utilize in our operations are obtained through single suppliers. Certain of the raw materials that we utilize in our operations are made at only one facility. Since the suppliers of key components and raw materials must be named in a new drug application filed with U.S. Food and Drug Administration ("FDA") for a product, significant delays can occur if the qualification of a new supplier is required. If delivery of material from our suppliers is interrupted for any reason, we may be unable to ship our commercial products or to supply our product candidates for clinical trials.

## 2. REVENUES

### Disaggregation of Revenues

Revenues were as follows:

(in millions)	Three Months Ended March 31, 2021				Three Months Ended March 31, 2020			
	U.S.	Europe	Other International	Total	U.S.	Europe	Other International	Total
<b>Product Sales:</b>								
<i><b>HIV</b></i>								
Atripla	\$ 23	\$ 4	\$ 4	\$ 31	\$ 81	\$ 7	\$ 7	\$ 95
Biktarvy	1,465	216	143	1,824	1,412	181	100	1,693
Complera/Eviplera	25	34	4	63	24	47	5	76
Descovy	282	42	35	359	363	61	34	458
Genvoya	506	106	61	673	612	151	61	824
Odefsey	240	113	14	367	269	127	13	409
Stribild	31	11	4	46	34	17	2	53
Truvada	119	7	9	135	383	8	15	406
Other HIV <sup>(1)</sup>	6	1	10	17	3	2	3	8
Revenue share - Symtuza <sup>(2)</sup>	89	44	2	135	72	38	2	112
Total HIV	2,786	578	286	3,650	3,253	639	242	4,134
<i><b>Hepatitis C virus ("HCV")</b></i>								
Ledipasvir/Sofosbuvir <sup>(3)</sup>	19	16	21	56	53	11	48	112
Sofosbuvir/Velpatasvir <sup>(4)</sup>	214	75	92	381	311	122	131	564
Other HCV <sup>(5)</sup>	25	44	4	73	34	15	4	53
Total HCV	258	135	117	510	398	148	183	729
<i><b>Hepatitis B virus ("HBV") / Hepatitis Delta virus ("HDV")</b></i>								
Vemlidy	77	8	96	181	73	7	56	136
Viread	4	7	20	31	4	11	25	40
Other HBV/HDV <sup>(6)</sup>	—	8	—	8	8	2	—	10
Total HBV/HDV	81	23	116	220	85	20	81	186
<i><b>Veklury</b></i>	820	388	248	1,456	—	—	—	—
<i><b>Cell Therapy</b></i>								
Tecartus	27	4	—	31	—	—	—	—
Yescarta	92	61	7	160	103	37	—	140
Total Cell Therapy	119	65	7	191	103	37	—	140
<i><b>Trodely</b></i>	72	—	—	72	—	—	—	—
<i><b>Other</b></i>								
AmBisome	12	66	43	121	18	59	42	119
Letairis	54	—	—	54	83	—	—	83
Ranexa	3	—	—	3	8	—	—	8
Zydelig	8	7	—	15	8	12	—	20
Other <sup>(7)</sup>	27	13	8	48	33	12	3	48
Total Other	104	86	51	241	150	83	45	278
Total product sales	4,240	1,275	825	6,340	3,989	927	551	5,467
<b>Royalty, contract and other revenues</b>	20	61	2	83	17	48	16	81
<b>Total revenues</b>	<b>\$ 4,260</b>	<b>\$ 1,336</b>	<b>\$ 827</b>	<b>\$ 6,423</b>	<b>\$ 4,006</b>	<b>\$ 975</b>	<b>\$ 567</b>	<b>\$ 5,548</b>

<sup>(1)</sup> 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 Unlimited Company.
- (3) Amounts consist of sales of Harvoni and the authorized generic version of Harvoni sold by our separate subsidiary, Asega Therapeutics LLC.
- (4) Amounts consist of sales of Epclusa and the authorized generic version of Epclusa sold by our separate subsidiary, Asega Therapeutics LLC.
- (5) Includes Vosevi and Sovaldi.
- (6) Includes Hepcludex and Hepsera.
- (7) Includes Cayston and Jyseleca.

#### 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)	Three Months Ended March 31,	
	2021	2020
AmerisourceBergen Corporation	27 %	22 %
Cardinal Health, Inc.	18 %	22 %
McKesson Corporation	17 %	21 %

#### 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 \$226 million and \$188 million for the three months ended March 31, 2021 and 2020, respectively.

Variable consideration is included in the net sales price only to the extent a significant reversal in the amount of cumulative revenue recognized is not probable of occurring when the uncertainty associated with the variable consideration is subsequently resolved. Estimates are assessed each period and updated to reflect current information. Changes in estimates for variable consideration related to sales made in prior years resulted in a \$332 million and \$38 million increase in revenues for the three months ended March 31, 2021 and 2020, 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 \$185 million and \$198 million as of March 31, 2021 and December 31, 2020, respectively. Contract liabilities, which generally result from receipt of advance payment before our performance under the contract, were \$91 million and \$97 million as of March 31, 2021 and December 31, 2020, respectively. During the three months ended March 31, 2021 and 2020, revenue recognized that was included in the contract liability balance as of the beginning of the respective years was not material. Revenue expected to be recognized in the future from contract liabilities as the related performance obligations are satisfied is not expected to be material in any one year.

### 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 on 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 on our Condensed Consolidated Balance Sheets. The remaining financial instruments are reported on 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)	March 31, 2021				December 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets:</b>								
Available-for-sale debt securities:								
U.S. treasury securities	\$ 464	\$ —	\$ —	\$ 464	\$ 309	\$ —	\$ —	\$ 309
Certificates of deposit	—	358	—	358	—	216	—	216
Non-U.S. government securities	—	62	—	62	—	43	—	43
Corporate debt securities	—	1,247	—	1,247	—	1,142	—	1,142
Residential mortgage and asset-backed securities	—	347	—	347	—	316	—	316
Equity securities:								
Money market funds	2,216	—	—	2,216	4,361	—	—	4,361
Equity investment in Galapagos	1,302	—	—	1,302	1,648	—	—	1,648
Other publicly traded equity securities	968	—	—	968	743	—	—	743
Deferred compensation plan	235	—	—	235	218	—	—	218
Foreign currency derivative contracts	—	32	—	32	—	12	—	12
Total	\$ 5,185	\$ 2,046	\$ —	\$ 7,231	\$ 7,279	\$ 1,729	\$ —	\$ 9,008
<b>Liabilities:</b>								
Liability for MYR contingent consideration	\$ —	\$ —	\$ 341	\$ 341	\$ —	\$ —	\$ —	\$ —
Deferred compensation plan	235	—	—	235	218	—	—	218
Foreign currency derivative contracts	—	41	—	41	—	121	—	121
Total	\$ 235	\$ 41	\$ 341	\$ 617	\$ 218	\$ 121	\$ —	\$ 339

#### Equity Securities

The following table summarizes the classification of our equity securities measured at fair value on a recurring basis on our Condensed Consolidated Balance Sheets:

(in millions)	March 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 2,216	\$ 4,361
Prepaid and other current assets <sup>(1)</sup>	797	853
Other long-term assets <sup>(1)</sup>	1,708	1,756
Total	\$ 4,721	\$ 6,970

<sup>(1)</sup> Includes equity investment in Galapagos NV ("Galapagos")

Equity investments not measured at fair value and excluded from the above tables were limited partnerships and other equity method investments of \$69 million and \$58 million at March 31, 2021 and December 31, 2020, respectively, and other equity investments without readily determinable fair values of \$225 million and \$204 million at March 31, 2021 and December 31, 2020, respectively. These amounts were included in Other long-term assets on our Condensed Consolidated Balance Sheets.

Changes in the fair value of equity securities resulted in net unrealized losses of \$351 million and \$283 million for the three months ended March 31, 2021 and 2020, respectively, which were included in Other income (expense), net on our Condensed Consolidated Statements of Income.

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.

#### Equity Investment in Galapagos

The following table summarizes the classification of our equity investment in Galapagos in our Condensed Consolidated Balance Sheets:

(in millions)	March 31, 2021	December 31, 2020
Prepaid and other current assets	\$ 276	\$ 351
Other long-term assets	1,026	1,297
Total	<u>\$ 1,302</u>	<u>\$ 1,648</u>

We elected and applied the fair value option to account for our equity investment in Galapagos whereby the investment is marked to market through earnings each reporting period based on the market price of Galapagos shares. We believe the fair value option best reflects the underlying economics of the investment. The portion of the investment subject to long-term contractual lock-up provisions is classified within Other long-term assets and the remainder is classified as Prepaid and other current assets on our Condensed Consolidated Balance Sheets. Subsequent to the first quarter of 2021, we amended the Galapagos subscription agreement to extend the initial lock-up provision for certain Galapagos shares from August 2021 to August 2024. As a result, all of our equity investment in Galapagos became subject to long-term contractual lock-up provisions and will be classified as Other long-term assets commencing in the second quarter of 2021.

#### Level 2 Inputs

We estimate the fair values of Level 2 financial 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 aggregate short-term and long-term debt, determined using Level 2 inputs based on their quoted market values, were approximately \$31.6 billion and \$34.6 billion as of March 31, 2021 and December 31, 2020, respectively, and the carrying values were \$29.1 billion and \$30.3 billion as of March 31, 2021 and December 31, 2020, respectively.

#### Level 3 Inputs

During the three months ended March 31, 2021, we measured assets acquired and liabilities assumed at fair value on a nonrecurring basis, in connection with our acquisition of MYR GmbH ("MYR"). Total consideration for the MYR acquisition included a liability for contingent consideration of \$341 million as of the acquisition date. This contingent liability was measured at fair value using probability-weighted scenarios for FDA approval. See Note 6. Acquisitions for additional information.

As of March 31, 2021 and December 31, 2020, the carrying value of the liability related to future royalties assumed from the fourth quarter 2020 Immunomedics, Inc. ("Immunomedics") acquisition approximated fair value, determined using Level 3 inputs. See Note 10. Debt and Credit Facilities for additional information.

#### 4. AVAILABLE-FOR-SALE DEBT SECURITIES

The following table summarizes our available-for-sale debt securities:

(in millions)	March 31, 2021				December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. treasury securities	\$ 464	\$ —	\$ —	\$ 464	\$ 308	\$ 1	\$ —	\$ 309
Certificates of deposit	358	—	—	358	216	—	—	216
Non-U.S. government securities	62	—	—	62	43	—	—	43
Corporate debt securities	1,247	1	(1)	1,247	1,140	2	—	1,142
Residential mortgage and asset-backed securities	347	—	—	347	316	—	—	316
Total	\$ 2,478	\$ 1	\$ (1)	\$ 2,478	\$ 2,023	\$ 3	\$ —	\$ 2,026

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

(in millions)	March 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 298	\$ 113
Short-term marketable securities	1,601	1,411
Long-term marketable securities	579	502
Total	\$ 2,478	\$ 2,026

Accrued interest receivable excluded from both the fair value and amortized cost basis of the available-for-sale debt securities was \$9 million as of March 31, 2021 and December 31, 2020 and is recorded in Prepaid and other current assets on our Condensed Consolidated Balance Sheets. There were no write-offs of accrued interest receivable during the three months ended March 31, 2021 and 2020.

The following table summarizes our available-for-sale debt securities by contractual maturity:

(in millions)	March 31, 2021	
	Amortized Cost	Fair Value
Within one year	\$ 1,898	\$ 1,899
After one year through five years	563	562
After five years	17	17
Total	\$ 2,478	\$ 2,478

We held a total of 203 positions which were in an unrealized loss position as of March 31, 2021. The unrealized losses are largely due to changes in interest rates. Aggregated gross unrealized losses on available-for-sale debt securities were not material, and accordingly, no impairment was recognized for the three months ended March 31, 2021. Gross realized gains and gross realized losses on available-for-sale debt securities were not material for the three months ended March 31, 2021.

#### 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 Income.

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 March 31, 2021 are expected to be reclassified to product sales within 12 months.

The cash flow effects of our derivative contracts for the three months ended March 31, 2021 and 2020 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 \$3.0 billion and \$2.4 billion as of March 31, 2021 and December 31, 2020, respectively.

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 on our Condensed Consolidated Balance Sheets:

(in millions)	March 31, 2021			
	Asset Derivatives		Liability Derivatives	
	Classification	Fair Value	Classification	Fair Value
Derivatives designated as hedges:				
Foreign currency exchange contracts	Prepaid and other current assets	\$ 25	Other accrued liabilities	\$ (41)
Foreign currency exchange contracts	Other long-term assets	7	Other long-term obligations	—
Total derivatives designated as hedges		32		(41)
Derivatives not designated as hedges:				
Foreign currency exchange contracts	Prepaid and other current assets	—	Other accrued liabilities	—
Total derivatives not designated as hedges		—		—
Total derivatives		\$ 32		\$ (41)

  

(in millions)	December 31, 2020			
	Asset Derivatives		Liability Derivatives	
	Classification	Fair Value	Classification	Fair Value
Derivatives designated as hedges:				
Foreign currency exchange contracts	Prepaid and other current assets	\$ —	Other accrued liabilities	\$ (113)
Foreign currency exchange contracts	Other long-term assets	—	Other long-term obligations	(7)
Total derivatives designated as hedges		—		(120)
Derivatives not designated as hedges:				
Foreign currency exchange contracts	Prepaid and other current assets	12	Other accrued liabilities	(1)
Total derivatives not designated as hedges		12		(1)
Total derivatives		\$ 12		\$ (121)

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

(in millions)	Three Months Ended March 31,	
	2021	2020
Derivatives designated as hedges:		
Gains recognized in AOCI	\$ 78	\$ 66
Gains (losses) reclassified from AOCI into product sales	\$ (25)	\$ 27
Derivatives not designated as hedges:		
Gains recognized in Other income (expense), net	\$ 34	\$ 24

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 Income. There were no discontinuances of cash flow hedges for the three months ended March 31, 2021 and 2020.

As of March 31, 2021 and December 31, 2020, 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)	Gross Amounts of Recognized Assets/Liabilities	Gross Amounts Offset on our Condensed Consolidated Balance Sheets	Amounts of Assets/Liabilities Presented on our Condensed Consolidated Balance Sheets	Gross Amounts Not Offset on our Condensed Consolidated Balance Sheets		
				Derivative Financial Instruments	Cash Collateral Received/ Pledged	Net Amount (Legal Offset)
<b>As of March 31, 2021</b>						
Derivative assets	\$ 32	\$ —	\$ 32	\$ (22)	\$ —	\$ 10
Derivative liabilities	\$ (41)	\$ —	\$ (41)	\$ 22	\$ —	\$ (19)
<b>As of December 31, 2020</b>						
Derivative assets	\$ 12	\$ —	\$ 12	\$ (12)	\$ —	\$ —
Derivative liabilities	\$ (121)	\$ —	\$ (121)	\$ 12	\$ —	\$ (109)

## 6. ACQUISITIONS

We account for business combinations using the acquisition method of accounting, which generally requires that assets acquired and liabilities assumed be recorded at their fair values as of the acquisition date. Any excess of consideration over the fair value of net assets acquired is recorded as goodwill. Transaction costs associated with business combinations are expensed as they are incurred. The first quarter 2021 acquisition of MYR and the fourth quarter 2020 acquisition of Immunomedics were accounted for as business combinations.

### MYR

On March 4, 2021, we completed the acquisition of MYR, a German biotechnology company. MYR focuses on the development and commercialization of therapeutics for the treatment of HDV. The acquisition provides Gilead with Hepcludex, which was conditionally approved by the European Medicines Agency (“EMA”) in July 2020 for the treatment of chronic HDV infection in adults with compensated liver disease. Upon closing, MYR became a wholly-owned subsidiary of Gilead. The financial results of MYR were included in our Condensed Consolidated Financial Statements from the date of the acquisition. MYR contributed an immaterial net loss from the date of acquisition through March 31, 2021. We recorded other acquisition-related expenses of \$11 million, primarily representing closing costs and related fees, in Selling, general and administrative expenses on our Condensed Consolidated Statements of Income for the three months ended March 31, 2021.

The aggregate consideration for this acquisition of approximately €1.3 billion (or \$1.6 billion) primarily consists of €1.0 billion (or approximately \$1.2 billion) paid upon closing and contingent consideration of up to €300 million, subject to customary adjustments, representing a potential future milestone payment upon FDA approval of Hepcludex. The estimated fair value of this contingent liability was \$341 million as of the acquisition date and recorded in Other long-term obligations on our Condensed Consolidated Balance Sheets. The contingent consideration was estimated using probability-weighted scenarios for FDA approval.



The fair value estimates for the assets acquired and liabilities assumed were based upon valuations using information known and knowable as of the date of this filing. Changes to these assumptions and estimates could cause an impact to the valuation of assets acquired, including intangible assets, goodwill and the related tax impacts of the acquisition, as well as legal and other contingencies. The amounts recognized will be finalized as the information necessary to complete the analysis is obtained, but no later than one year after the acquisition date.

The following table summarizes estimated fair values of assets acquired and liabilities assumed as of the acquisition date:

(in millions)	Amount
Intangible assets	
Finite-lived intangible asset	\$ 845
Acquired IPR&D	1,190
Deferred income taxes, net	(513)
Other assets (and liabilities), net	(187)
Total identifiable net assets	1,335
Goodwill	226
Total consideration	\$ 1,561

#### *Intangible Assets*

The finite-lived intangible asset of \$845 million represents the estimated fair value of Hepcludex for HDV in Europe as of the acquisition date. The fair value was determined by applying the income approach using unobservable inputs to estimate probability-weighted net cash flows attributable to Hepcludex for HDV in Europe and a discount rate of 12%. The discount rate used represents the estimated rate that market participants would use to value this intangible asset. This intangible asset is being amortized over an estimated useful life of 10 years.

Acquired intangible assets related to IPR&D consist of Hepcludex for HDV in all other regions without regulatory approval, including the U.S. The estimated aggregate fair value of \$1.2 billion as of the acquisition date was determined by applying the income approach using unobservable inputs to estimate probability-weighted net cash flows attributable to this asset and a discount rate of 12%. The discount rate used represents the estimated rate that market participants would use to value this intangible asset.

Some of the more significant assumptions inherent in the development of intangible asset fair values include: estimates of projected future cash flows including revenues and operating profits; probability of success; the discount rate selected; the life of the potential commercialized products and the risks related to the viability of and potential alternative treatments in any future target markets, among other factors.

Intangible assets related to IPR&D projects are considered to be indefinite-lived assets until the completion or abandonment of the associated R&D efforts.

The inputs used for valuing these identifiable intangibles are unobservable and considered Level 3 under the fair value measurement and disclosure guidance.

#### *Deferred Income Taxes*

The net deferred tax liability was based upon the difference between the estimated book basis and tax basis of net assets acquired and an estimate for the final pre-acquisition net operating losses of MYR.

#### *Goodwill*

The excess of the consideration transferred over the fair values of assets acquired and liabilities assumed of \$226 million was recorded as goodwill, which primarily reflects the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Goodwill recognized for MYR is not expected to be deductible for income tax purposes.

#### **Immunomedics**

In the fourth quarter of 2020, we completed the acquisition of Immunomedics for cash consideration of \$20.6 billion. Immunomedics is a wholly-owned subsidiary of Gilead. The acquisition was financed with the majority of the proceeds from the September 2020 senior unsecured notes offering, an additional \$1.0 billion borrowing under a new senior unsecured term loan facility and cash on hand.

The following table summarizes estimated fair values of assets acquired and liabilities assumed as of the acquisition date:

(in millions)	Amount
Cash and cash equivalents	\$ 726
Inventories	946
Intangible assets	
Finite-lived intangible asset	4,600
Acquired IPR&D	15,760
Outlicense contract	175
Deferred income taxes	(4,565)
Liability related to future royalties	(1,100)
Other assets (and liabilities), net	64
Total identifiable net assets	16,606
Goodwill	3,991
Total consideration transferred	\$ 20,597

There were no measurement period adjustments recorded to the fair values of assets acquired and liabilities assumed during the three months ended March 31, 2021.

## 7. GOODWILL AND INTANGIBLE ASSETS

### Goodwill

The following table summarizes the changes in the carrying amount of goodwill:

(in millions)	Amount
Balance at December 31, 2020	\$ 8,108
Goodwill resulting from the acquisition of MYR	226
Balance at March 31, 2021	\$ 8,334

### Intangible Assets

The following table summarizes our Intangible assets, net:

(in millions)	March 31, 2021				December 31, 2020			
	Gross Carrying Amount	Accumulated Amortization	Foreign Currency Translation Adjustment	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Foreign Currency Translation Adjustment	Net Carrying Amount
Finite-lived assets:								
Intangible asset - sofosbuvir	\$ 10,720	\$ (5,127)	\$ —	\$ 5,593	\$ 10,720	\$ (4,952)	\$ —	\$ 5,768
Intangible asset - axicabtagene ciloleucel <sup>(1)</sup>	7,110	(1,196)	—	5,914	6,200	(1,105)	—	5,095
Intangible asset - Trodelvy <sup>(2)</sup>	4,600	(158)	—	4,442	4,600	(63)	—	4,537
Intangible asset - Hepcludex for HDV	845	(7)	—	838	—	—	—	—
Other	1,391	(567)	—	824	1,377	(540)	(1)	836
Total finite-lived assets	24,666	(7,055)	—	17,611	22,897	(6,660)	(1)	16,236
Indefinite-lived assets - IPR&D <sup>(3)(4)</sup>	17,170	—	—	17,170	16,890	—	—	16,890
Total intangible assets	\$ 41,836	\$ (7,055)	\$ —	\$ 34,781	\$ 39,787	\$ (6,660)	\$ (1)	\$ 33,126

<sup>(1)</sup> Gross carrying amount as of March 31, 2021 includes \$910 million reclassified from indefinite-lived assets - IPR&D following the March 2021 FDA approval of Yescarta for the treatment of adult patients with relapsed or refractory follicular lymphoma.

<sup>(2)</sup> Amounts represent Trodelvy for metastatic triple-negative breast cancer.

<sup>(3)</sup> Gross carrying amount as of March 31, 2021 includes \$1.2 billion recognized from the first quarter 2021 MYR acquisition. See Note 6. Acquisitions for additional information.

<sup>(4)</sup> In April 2021, FDA granted accelerated approval of Trodelvy for use in adult patients with locally advanced or metastatic urothelial cancer, a new indication. Accordingly, the related amount of \$1.0 billion will be reclassified to finite-lived assets in the second quarter of 2021.

Aggregate amortization expense related to finite-lived intangible assets was \$395 million and \$281 million for the three months ended March 31, 2021 and 2020, respectively, and was primarily included in Cost of goods sold on our Condensed Consolidated Statements of Income.

The following table summarizes the estimated future amortization expense associated with our finite-lived intangible assets as of March 31, 2021:

(in millions)	Amount
2021 (remaining nine months)	\$ 1,256
2022	1,675
2023	1,675
2024	1,675
2025	1,669
Thereafter	9,661
Total	<u>\$ 17,611</u>

## 8. OTHER FINANCIAL INFORMATION

### Accounts receivable, net

The following table summarizes our Accounts receivable, net:

(in millions)	March 31, 2021	December 31, 2020
Accounts receivable	\$ 4,647	\$ 5,560
Less: chargebacks	607	552
Less: cash discounts and other	64	72
Less: allowances for credit losses	51	44
Accounts receivable, net	<u>\$ 3,925</u>	<u>\$ 4,892</u>

### Inventories

The following table summarizes our Inventories:

(in millions)	March 31, 2021	December 31, 2020
Raw materials	\$ 1,023	\$ 1,080
Work in process	856	976
Finished goods	1,117	958
Total	<u>\$ 2,996</u>	<u>\$ 3,014</u>
Reported as:		
Inventories	\$ 1,779	\$ 1,683
Other long-term assets <sup>(1)</sup>	1,217	1,331
Total	<u>\$ 2,996</u>	<u>\$ 3,014</u>

<sup>(1)</sup> Amounts primarily consist of raw materials.

### Accrued and other current liabilities

The following table summarizes the components of Accrued and other current liabilities:

(in millions)	March 31, 2021	December 31, 2020
Compensation and employee benefits	\$ 494	\$ 864
Income taxes payable	215	598
Allowance for sales returns	524	587
Accrued and other current liabilities	2,274	2,287
Total	<u>\$ 3,507</u>	<u>\$ 4,336</u>

## 9. COLLABORATIONS AND OTHER ARRANGEMENTS

We continue to pursue licensing and strategic collaborations and other similar arrangements with third parties for the development and commercialization of certain products and product candidates. These arrangements may involve two or more parties who are active participants in the operating activities of the collaboration and are exposed to significant risks and rewards depending on the commercial success of the activities. 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. We also continue to pursue equity investments in third parties focused on the development and commercialization of products and product candidates.

### **Merck Sharp & Dohme Corp. (“Merck”)**

On March 13, 2021, we entered into a license and collaboration agreement with Merck, a subsidiary of Merck & Co., Inc. to jointly develop and commercialize long-acting investigational treatments in HIV that combine Gilead’s investigational capsid inhibitor, lenacapavir, and Merck’s investigational nucleoside reverse transcriptase translocation inhibitor, islatravir. The collaboration will initially focus on long-acting oral and injectable formulations.

Under the terms of the agreement, Gilead and Merck will share global development and commercialization costs at 60% and 40%, respectively, across the oral and injectable formulation programs. For long-acting oral products, Gilead will lead commercialization in the U.S. and Merck will lead commercialization in the European Union (“EU”) and rest of the world. For long-acting injectable products, Merck will lead commercialization in the U.S. and Gilead will lead commercialization in the EU and rest of the world. Gilead and Merck will jointly promote the combination products in the U.S. and certain other major markets. We will share global product revenues with Merck equally until product revenues surpass certain pre-determined per formulation revenue tiers. Upon passing \$2.0 billion in net product sales for the oral combination in a given calendar year, our share of revenue will increase to 65% for any revenues above the threshold for such calendar year. Upon passing \$3.5 billion in net product sales for the injectable combination in a given calendar year, our share of revenue will increase to 65% for any revenues above the threshold for such calendar year. There was no material impact from the agreement on our Condensed Consolidated Financial Statements for the three months ended March 31, 2021.

We will also have the option to license certain of Merck’s investigational oral integrase inhibitors to develop in combination with lenacapavir. Reciprocally, Merck will have the option to license certain of Gilead’s investigational oral integrase inhibitors to develop in combination with islatravir. Each company may exercise its option for such investigational oral integrase inhibitor of the other company within the first five years after execution of the agreement, following completion of the first Phase 1 clinical trial of that integrase inhibitor. Upon exercise of an option, the companies will split development cost and revenues, unless the non-exercising company decides to opt-out, in which case the non-exercising company will be paid a royalty.

### **Arcus Biosciences, Inc. (“Arcus”)**

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, and as subsequently amended the “Stock Purchase Agreements”). In 2020, pursuant to the Stock Purchase Agreements and a separate secondary equity offering, we acquired approximately 8.2 million shares of Arcus common stock for approximately \$261 million. In the first quarter of 2021, we amended and restated the common stock purchase agreement and acquired approximately 5.7 million additional shares of Arcus common stock for \$220 million. As a result, we currently own a total of 13.8 million shares of Arcus, which represented approximately 19.5% of the issued and outstanding voting stock of Arcus immediately following the closing of the transaction. We recorded our equity investments in Arcus in Other long-term assets on our Condensed Consolidated Balance Sheets as the investments are subject to contractual lock-up provisions, subject to certain conditions. We account for our equity investments in Arcus at fair value with changes in fair value recognized in Other income (expense), net on our Condensed Consolidated Statements of Income for each reporting period.

Under the Stock Purchase Agreements, we have the right to purchase additional shares of Arcus from Arcus over the five year period beginning on the closing of the Stock Purchase Agreements, up to a maximum of 35% of the outstanding voting stock. We are subject to a three year standstill, which period began on the date the parties entered into the Stock Purchase Agreements, restricting our ability to acquire voting stock of Arcus exceeding more than 35% of the then issued and outstanding voting stock of Arcus, subject to certain exceptions. 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. The amendment and restatement of the common stock purchase agreement in the first quarter of 2021 did not modify any of these terms.

**Other Arrangements**

During the three months ended March 31, 2021 and 2020, we entered into several collaborations, equity investments and licensing arrangements as well as other similar arrangements that we do not consider to be individually material. We recorded upfront collaboration expenses related to these arrangements of \$62 million and \$97 million for the three months ended March 31, 2021 and 2020, respectively, within Acquired in-process research and development expenses on our Condensed Consolidated Statements of Income. Cash payments made related to our equity investments were \$59 million and \$8 million for the three months ended March 31, 2021 and 2020, respectively, which were primarily recorded in 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 Income 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.

## 10. DEBT AND CREDIT FACILITIES

The following table summarizes the carrying amount of our borrowings under various financing arrangements:

(in millions)				Carrying Amount	
Type of Borrowing	Issue Date	Maturity Date	Interest Rate	March 31, 2021	December 31, 2020
Senior Unsecured	March 2011	April 2021	4.50%	\$ —	\$ 1,000
Senior Unsecured	September 2020	September 2021	3-month LIBOR + 0.15%	500	499
Senior Unsecured	December 2011	December 2021	4.40%	1,249	1,249
Senior Unsecured	September 2016	March 2022	1.95%	499	499
Senior Unsecured	September 2015	September 2022	3.25%	999	998
Senior Unsecured	September 2016	September 2023	2.50%	748	748
Senior Unsecured	September 2020	September 2023	3-month LIBOR + 0.52%	498	498
Senior Unsecured	September 2020	September 2023	0.75%	1,993	1,992
Term Loan	October 2020	October 2023	variable	748	998
Senior Unsecured	March 2014	April 2024	3.70%	1,746	1,746
Senior Unsecured	November 2014	February 2025	3.50%	1,747	1,746
Senior Unsecured	September 2015	March 2026	3.65%	2,737	2,737
Senior Unsecured	September 2016	March 2027	2.95%	1,246	1,246
Senior Unsecured	September 2020	October 2027	1.20%	746	745
Senior Unsecured	September 2020	October 2030	1.65%	992	992
Senior Unsecured	September 2015	September 2035	4.60%	992	991
Senior Unsecured	September 2016	September 2036	4.00%	742	741
Senior Unsecured	September 2020	October 2040	2.60%	986	986
Senior Unsecured	December 2011	December 2041	5.65%	996	996
Senior Unsecured	March 2014	April 2044	4.80%	1,735	1,735
Senior Unsecured	November 2014	February 2045	4.50%	1,732	1,732
Senior Unsecured	September 2015	March 2046	4.75%	2,219	2,219
Senior Unsecured	September 2016	March 2047	4.15%	1,726	1,726
Senior Unsecured	September 2020	October 2050	2.80%	1,476	1,476
Total senior unsecured notes and term loan facility				29,052	30,295
Liability related to future royalties				1,114	1,107
Total debt, net				30,166	31,402
Less: current portion of long-term debt and other obligations, net				2,259	2,757
Total long-term debt, net				\$ 27,907	\$ 28,645

### Debt

During the three months ended March 31, 2021, we repaid \$1.25 billion of debt. In January 2021, we repaid \$1.0 billion of senior unsecured notes prior to the April 2021 maturity, by exercising a 3-month par call. In March 2021, we repaid \$250 million principal amount under our three-year \$1.0 billion senior unsecured term loan facility, leaving \$750 million principal amount outstanding as of March 31, 2021. No new debt was issued during the three months ended March 31, 2021. We are required to comply with certain covenants under our note indentures governing our senior unsecured notes. As of March 31, 2021, we were in compliance with all covenants.

### Credit Facility

As of March 31, 2021 and December 31, 2020, there were no amounts outstanding under our \$2.5 billion revolving credit facility maturing in June 2025, and we were in compliance with all covenants.

## 11. 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 on our Condensed Consolidated Balance Sheets as of March 31, 2021 and December 31, 2020.

#### *Litigation Related to Sofosbuvir*

In 2012, we acquired Pharmasset, Inc. Through the acquisition, we acquired sofosbuvir, a nucleotide analog that acts to inhibit the replication of the HCV. In 2013, we received approval from 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 Cagliari ("UDSG"), Centre National de la Recherche Scientifique and L'Université Montpellier II

In 2013, Idenix and USDSG 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. We prevailed at all phases of litigation concerning the '597 patent, and in January 2021, the U.S. Supreme Court denied Idenix's petition for review, making the judgment against Idenix final.

#### 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. The PTAB instituted one of these petitions and a merits hearing was held in February 2021. In 2018, the U.S. District Court for the Northern District of California stayed the litigation until after the PTAB concludes the inter partes review that it has initiated, which we expect will occur in 2021.

#### Litigation with NuCana plc. ("NuCana")

NuCana has obtained European Patent No. 2,955,190 (the "EP '190 patent") that allegedly covers sofosbuvir. In Opposition proceedings before the European Patent Office ("EPO") held in February 2021, the EPO Opposition Division upheld the validity of the EP '190 patent in amended form. We believe that the amended EP '190 patent claims are invalid. Subsequently, we initiated proceedings to invalidate the UK counterpart of the EP '190 patent in the High Court of England & Wales. In March 2021, NuCana filed a counterclaim against us in the High Court of England & Wales alleging patent infringement of the UK counterpart and seeking damages and other relief. In April 2021, NuCana also filed a lawsuit against us in Germany at the Landgericht Düsseldorf alleging patent infringement of the German counterpart of the EP '190 patent and seeking damages and relief.

#### *Litigation Related to 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 April 2020, we filed an appeal seeking to reverse the judgment or obtain a new trial due to errors made by the trial judge.

In assessing whether we should accrue a liability for this litigation in our Condensed 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 is expected to be zero. If the judgment is upheld in its entirety on appeal, we estimate a loss through the first quarter of 2021 to be approximately \$1.4 billion, which consists primarily 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 \$225 million for royalties on Yescarta revenues from December 13, 2019 to March 31, 2021. The estimated loss does not include post-judgment interest on the foregoing, which is not estimated to be material as of March 31, 2021. 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.

#### *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 claims of the ’385 patent. The court has set a trial date of January 2022 for this lawsuit. ViiV is seeking billions of dollars for alleged damages comprised of ViiV’s lost profits and a royalty on sales of bictegravir from launch through the trial. ViiV calculates these damages based on the cumulative U.S. revenues from Biktarvy since launch, which have totaled \$12.9 billion through March 31, 2021. In addition, should a court find that we are liable for infringement, we expect ViiV will seek a royalty on sales after the trial. Although we cannot predict with certainty the ultimate outcome of this litigation, an adverse judgment could result in substantial monetary damages, including ViiV’s lost profits and royalties through trial, and a going-forward royalty stream on future sales.

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. Argument on the appeal took place in April 2021, and a decision is expected in the second half of 2021.

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 (“KR ’819”) 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 EPO requesting revocation of EP ’206. The EPO hearing took place in January 2021, and the patent claims, which do not cover bictegravir, were maintained in amended form. Additionally, in 2020, we filed a petition in the Korean Intellectual Property Office requesting invalidation of KR ’819. Following a trial, a tribunal of the Korean Intellectual Property Trial and Appeal Board found KR ’819 to be invalid. In March 2021, ViiV appealed this decision. The court in Germany held a hearing on the issue of infringement in April 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. A trial date for the lawsuit in the Court of Federal Claims has been set for June 2022, and a trial date for the lawsuit in the District Court of Delaware has been set for May 2023.

#### *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 was held in March 2021, and the validity of all claims were upheld.

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 EMA. 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.

#### *Antitrust and Consumer Protection*

We (along with Japan Tobacco, Inc. (“Japan Tobacco”), Bristol-Myers Squibb Company (“BMS”) 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 dismissed from the 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. The lawsuits seek to bring claims on behalf of two nationwide classes - one of direct purchasers consisting largely of wholesales, and another of end-payor purchasers, including health insurers and individual patients. Plaintiffs seek damages, permanent injunctive relief and other relief.

In September 2020, we along with generic manufacturers Cipla Ltd. and Cipla USA Inc. (“Cipla”) were named as defendants in a class action lawsuit filed in the U.S. District Court for the Northern District of California by Jacksonville Police Officers and Fire Fighters Health Insurance Trust (“Jacksonville Trust”) on behalf of end-payor purchasers. Jacksonville Trust claims that the 2014 settlement agreement between us and Cipla, which settled a patent dispute relating to patents covering our Entriva, Truvada, and Atripla products and permitted generic entry prior to patent expiry, violates certain federal and state antitrust and consumer protection laws. Plaintiffs seek damages, permanent injunctive relief and other relief.

In February 2021, we along with BMS and generic manufacturer Teva Pharmaceuticals USA were named as defendants in a lawsuit filed in the First Judicial District Court for the State of New Mexico, county of Santa Fe by the New Mexico Attorney General. The New Mexico Attorney General alleges that we (and the other defendants) restrained competition in violation of New Mexico state antitrust and consumer protection laws. In March 2021, we removed the case to the U.S. District Court for the District of New Mexico. The New Mexico Attorney General seeks damages and other relief.

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.

#### *Product Liability*

We have been named as a defendant in two class action lawsuits 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, Florida, New Jersey and Missouri, involve more than 21,000 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.

#### *Government Investigation*

In 2017, we 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.

#### *Qui Tam Litigation*

Two former sales employees filed a qui tam lawsuit against Gilead in August 2017 in the U.S. District Court for the Eastern District of Pennsylvania. Following the government’s decision not to intervene in the suit, the relators served us with a Second Amended Complaint in November 2019. The lawsuit alleges that Gilead’s HBV speaker programs and advisory boards violated the federal False Claims Act and various state false claims acts. The relators seek all available relief under these statutes.

Another former sales employee also filed a qui tam lawsuit against Gilead in March 2017 in U.S. District Court for the Eastern District of Pennsylvania. Following the government’s decision not to intervene in the suit, the relator served us with a Second Amended Complaint in January 2021. The lawsuit alleges that Gilead’s HCV patient access programs, clinical educator programs, speaker programs, and other sales and marketing programs violated the federal False Claims Act and various state false claims acts. The relator seeks all available relief under these statutes.

Two former employees filed a qui tam lawsuit against Gilead in April 2020 in California state court. These same former employees had previously filed a qui tam lawsuit in federal court in California and the U.S. Department of Justice declined intervention and moved to dismiss relators' federal False Claims Act claims. Relators subsequently voluntarily dismissed their federal lawsuit and refiled their lawsuit in California state court. Following the California Attorney General's Office's decision not to intervene, relators served Gilead with their complaint in August 2020. The complaint alleges violations of the California False Claims Act ("CFCA") and employment law claims. Relators seek all available relief under the CFCA.

Health Choice Advocates, LLC ("Health Choice") filed a qui tam lawsuit against Gilead in April 2020 in New Jersey state court. Following the New Jersey Attorney General's Office's decision not to intervene in the suit, Health Choice served us with their original complaint in August 2020. The lawsuit alleges that Gilead violated the New Jersey False Claims Act through our clinical educator programs for Sovaldi and Harvoni and our HCV and HIV patient access programs. The lawsuit seeks all available relief under the New Jersey False Claims Act. In April 2021, the trial court granted our motion to dismiss with prejudice.

Health Choice filed another qui tam lawsuit against Gilead in May 2020 making similar allegations in Texas state court. Following the Texas Attorney General's Office's decision not to intervene in the suit, Health Choice served us with their original complaint in October 2020. The lawsuit alleges that Gilead violated the Texas Medicare Fraud Prevention Act ("TMFPA") through our clinical educator programs for Sovaldi and Harvoni and our HCV and HIV patient access programs. The lawsuit seeks all available relief under the TMFPA.

We intend to vigorously defend ourselves in these actions. While we believe these cases are without merit, we cannot predict the ultimate outcomes. If any of these plaintiffs are successful in their claims, we could be required to pay significant monetary damages.

#### *Securities Litigation*

Immunomedics and several of its former officers and directors have been named as defendants in putative class actions filed in 2018 and 2019. The lawsuits were consolidated in September 2019, and plaintiffs filed a consolidated complaint in November 2019. Plaintiffs allege that Immunomedics and the individual defendants violated the federal securities laws in connection with Immunomedics' Biologics License Application for Trodelvy, and seek certification of a class of shareholders, damages and other relief. The consolidated lawsuit is pending in the United States District Court for the District of New Jersey. While we believe this case is without merit, we cannot predict the ultimate outcome. If plaintiffs are successful in their claims, we could be required to pay significant monetary damages.

#### *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.

## **12. 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 months ended March 31, 2021 and 2020, we repurchased and retired 4.8 million and 18.7 million shares of our common stock for \$309 million and \$1.3 billion, respectively, through open market transactions under the 2016 Program.

As of March 31, 2021, the remaining authorized repurchase amount under both programs was \$6.5 billion.

## Accumulated Other Comprehensive Income

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

(in millions)	Foreign Currency Translation, Net of Tax	Unrealized Gains and Losses on Available-for-Sale Debt Securities, Net of Tax	Unrealized Gains and Losses on Cash Flow Hedges, Net of Tax	Total
Balance at December 31, 2020	\$ 51	\$ 2	\$ (113)	\$ (60)
Net unrealized gain (loss)	10	(2)	68	76
Reclassifications to net income	—	—	22	22
Net current period other comprehensive income (loss)	10	(2)	90	98
Balance at March 31, 2021	\$ 61	\$ —	\$ (23)	\$ 38

  

(in millions)	Foreign Currency Translation, Net of Tax	Unrealized Gains and Losses on Available-for-Sale Debt Securities, Net of Tax	Unrealized Gains and Losses on Cash Flow Hedges, Net of Tax	Total
Balance at December 31, 2019	\$ 53	\$ 1	\$ 31	\$ 85
Net unrealized gain (loss)	(39)	(23)	57	(5)
Reclassifications to net income	—	(11)	(23)	(34)
Net current period other comprehensive income (loss)	(39)	(34)	34	(39)
Balance at March 31, 2020	\$ 14	\$ (33)	\$ 65	\$ 46

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 Income. 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 Income. Gross realized gains and losses on available-for-sale debt securities were not material for the three months ended March 31, 2021 and 2020. The income tax impact allocated to each component of other comprehensive income (loss) was not material for the periods presented.

## 13. NET INCOME PER SHARE ATTRIBUTABLE TO GILEAD COMMON STOCKHOLDERS

Basic net income 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 per share attributable to Gilead common stockholders because their effect would have been antidilutive were 15 million and 14 million, for the three months ended March 31, 2021 and 2020, respectively.

The following table summarizes the calculation of basic and diluted net income per share attributable to Gilead common stockholders:

(in millions, except per share amounts)	Three Months Ended March 31,	
	2021	2020
Net income attributable to Gilead	\$ 1,729	\$ 1,551
Shares used in per share calculation - basic	1,256	1,262
Dilutive effect of stock options and equivalents	6	8
Shares used in per share calculation - diluted	1,262	1,270
Net income per share attributable to Gilead common stockholders - basic	\$ 1.38	\$ 1.23
Net income per share attributable to Gilead common stockholders - diluted	\$ 1.37	\$ 1.22

#### 14. INCOME TAXES

The following table summarizes our income tax expense:

(in millions, except percentages)	Three Months Ended March 31,	
	2021	2020
Income before income taxes	\$ 2,264	\$ 2,003
Income tax expense	\$ 542	\$ 465
Effective tax rate	23.9 %	23.2 %

Our effective income tax rate of 23.9% for the three months ended March 31, 2021 differed from the U.S. federal statutory rate of 21% primarily due to unfavorable changes in the fair value of our equity investment in Galapagos that are non-deductible for income tax purposes, partially offset by net discrete tax benefits related to settlements with taxing authorities.

Our effective income tax rate of 23.2% for the three months ended March 31, 2020 differed from the U.S. federal statutory rate of 21% primarily due to the Global Intangible Low-Taxed Income tax, state taxes and our portion of the non-deductible branded prescription drug fee.

We are currently under examination by the U.S. Internal Revenue Service for the tax years from 2016 to 2018 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.

#### 15. SUBSEQUENT EVENT

In April 2021, Gilead donated equity securities at fair value to the Gilead Foundation, a California nonprofit public benefit corporation ("Foundation"). The Foundation is a related party as certain officers of the Company also serve as directors of the Foundation. The donation expense of \$206 million will be recorded within Selling, general and administrative expenses on our Condensed Consolidated Statements of Income in the second quarter of 2021.

## 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, ongoing litigation and investigation matters, 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 Veklury as a treatment for COVID-19 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, 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 I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020 and this Quarterly Report on Form 10-Q 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, 2020 and our unaudited Condensed Consolidated Financial Statements for the three months ended March 31, 2021 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") is a biopharmaceutical company that has pursued and achieved breakthroughs in medicine for more than three decades, with the goal of creating a healthier world for all people. We are committed to advancing innovative medicines to prevent and treat life-threatening diseases, including HIV, viral hepatitis and cancer. We operate in more than 35 countries worldwide, with headquarters in Foster City, California.

Our portfolio of marketed products includes Ambisome<sup>®</sup>, Atripla<sup>®</sup>, Biktarvy<sup>®</sup>, Cayston<sup>®</sup>, Complera<sup>®</sup>/Eviplera<sup>®</sup>, Descovy<sup>®</sup>, Descovy for PrEP<sup>®</sup>, Emtriva<sup>®</sup>, Epclusa<sup>®</sup>, Genvoya<sup>®</sup>, Harvoni<sup>®</sup>, Hepcludex<sup>®</sup> (Bulevirtide), Hepsera<sup>®</sup>, Jyseleca<sup>®</sup>, Letairis<sup>®</sup>, Odefsey<sup>®</sup>, Ranexa<sup>®</sup>, Sovaldi<sup>®</sup>, Stribild<sup>®</sup>, Tecartus<sup>®</sup>, Trogelvy<sup>®</sup>, Truvada<sup>®</sup>, Truvada for PrEP<sup>®</sup>, Tybost<sup>®</sup>, Veklury<sup>®</sup>, Vemlidy<sup>®</sup>, Viread<sup>®</sup>, Vosevi<sup>®</sup>, Yescarta<sup>®</sup> and Zydrelig<sup>®</sup>. The approval status of Hepcludex and Jyseleca vary worldwide, and Hepcludex and Jyseleca are not approved in the United States. 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.

### Business Highlights<sup>(1)</sup>

#### Oncology

- In March 2021, European Medicines Agency ("EMA") validated the Marketing Authorization Application for sacituzumab govitecan-hziy for the treatment of metastatic triple-negative breast cancer ("mTNBC").
- In April 2021, U.S. Food and Drug Administration ("FDA") granted full approval of Trogelvy (sacituzumab govitecan-hziy) for adult patients with unresectable locally advanced or mTNBC.
- In April 2021, FDA granted accelerated approval of Trogelvy for use in adult patients with locally advanced or metastatic urothelial cancer, a new indication.

- In March 2021, FDA granted accelerated approval of Yescarta for the treatment of adult patients with relapsed or refractory follicular lymphoma.

#### *Viral Diseases*

- In March 2021, we completed the acquisition of MYR GmbH (“MYR”). The acquisition provides us with Hepcludex, which is conditionally approved by EMA for the treatment of chronic hepatitis delta virus (“HDV”) in adults with compensated liver disease.
- In March 2021, we entered into an agreement with Merck Sharp & Dohme Corp (“Merck”), a subsidiary of Merck & Co., Inc. to jointly develop and commercialize long-acting treatments in HIV that combine Gilead’s investigational capsid inhibitor, lenacapavir, and Merck’s investigational nucleoside reverse transcriptase translocation inhibitor, islatravir.

#### *COVID-19*

- In April 2021, we announced we will provide assistance and support for expansion of local manufacturing capacity of remdesivir in India and donation of active pharmaceutical ingredient. In addition, we will donate a minimum of 450,000 vials of Veklury (remdesivir) to the government of India.

<sup>(1)</sup> We announced and discussed these updates, subsequent to the issuance of our 2020 Annual Report on Form 10-K, in further detail in press releases available on our website at <https://www.gilead.com/news-and-press/press-room/press-releases>. Readers are also encouraged to review all other press releases available on our website mentioned above. Website references are provided throughout this document for convenience. The content on the referenced websites does not constitute a part of and is not incorporated by reference into this Quarterly Report on Form 10-Q.

#### **Financial Highlights**

(in millions, except percentages and per share amounts)	Three Months Ended March 31,		Change
	2021	2020	
Total revenues	\$ 6,423	\$ 5,548	16 %
Net income attributable to Gilead	\$ 1,729	\$ 1,551	11 %
Diluted earnings per share	\$ 1.37	\$ 1.22	12 %

Total revenues increased by 16% to \$6.4 billion for the first quarter of 2021, compared to \$5.5 billion for the same period in 2020, primarily due to Veklury sales.

Net income attributable to Gilead increased by 11% to \$1.7 billion for the first quarter of 2021, compared to \$1.6 billion for the same period in 2020. Diluted earnings per share increased 12% to \$1.37 for the first quarter of 2021, compared to \$1.22 for the same period in 2020. The increases from 2020 to 2021 were primarily due to revenue growth, partially offset by unfavorable changes in the fair value of our equity investments primarily in Galapagos NV (“Galapagos”) and lower interest income.

## RESULTS OF OPERATIONS

### Total Revenues

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

(in millions, except percentages)	Three Months Ended March 31,		Change
	2021	2020	
Product sales:			
HIV	\$ 3,650	\$ 4,134	(12)%
Veklury	1,456	—	NM
HCV	510	729	(30)%
HBV/HDV	220	186	18%
Cell Therapy	191	140	36%
Trodelvy	72	—	NM
Other	241	278	(13)%
Total product sales	6,340	5,467	16%
Royalty, contract and other revenues	83	81	2%
Total revenues	\$ 6,423	\$ 5,548	16%

NM- Not Meaningful

For the first quarter of 2021 compared to the first quarter of 2020

#### Total Product Sales

Total product sales increased by 16% to \$6.3 billion for the first quarter of 2021, compared to \$5.5 billion for the same period in 2020, primarily due to sales of Veklury, our FDA-approved treatment for hospitalized patients with COVID-19. The first quarter of 2021 reflects growth in Cell Therapy, Trodelvy and hepatitis B virus (“HBV”)/hepatitis delta virus (“HDV”). We obtained Trodelvy through the acquisition of Immunomedics, Inc. (“Immunomedics”) in the fourth quarter of 2020. The increases were partially offset by lower HIV product sales primarily due to the continued generic competition following the October 2020 loss of exclusivity of Truvada and Atripla in the United States, in addition to higher channel inventory purchases in the first quarter of 2020 due to the COVID-19 pandemic. The decline in HCV sales was mainly driven by lower patient starts due to the continued impact of the pandemic.

#### HIV

HIV product sales decreased by 12% to \$3.7 billion for the first quarter of 2021, compared to \$4.1 billion for the same period in 2020. The decline was primarily due to the anticipated decline in sales volume of our Truvada (emtricitabine (“FTC”) and tenofovir disoproxil fumarate (“TDF”))-based products driven by the continued generic competition following the October 2020 loss of exclusivity of Truvada and Atripla in the United States, as well as the pull forward of channel inventory purchases in the first quarter of 2020 due to the COVID-19 pandemic. The decline was partially offset by market share increase and continued patient uptake of Biktarvy. We expect Truvada sales to continue to decline in 2021 and beyond as multiple generics are expected to enter the market starting in the second quarter of 2021.

Descovy (FTC/TAF)-based product sales decreased in the first quarter of 2021, primarily driven by COVID-19 related channel inventory purchases in the first quarter of 2020, in addition to the impact of ongoing pandemic-related effects on the pre-exposure prophylaxis (“PrEP”) market, offset by Biktarvy growth.

#### HCV

HCV product sales decreased by 30% to \$510 million for the first quarter of 2021, compared to \$729 million for the same period in 2020, primarily due to lower volume driven by lower patient starts, which continued to be impacted by the COVID-19 pandemic.

#### HBV/HDV

HBV and HDV product sales increased by 18% to \$220 million for the first quarter of 2021, compared to \$186 million for the same period in 2020, primarily due to higher Vemlidy sales volume in certain international locations. The first quarter of 2021 also reflects \$6 million of Hepcludex sales following the completion of our acquisition of MYR on March 4, 2021.



### Veklury

Veklury generated \$1.5 billion in sales in the first quarter of 2021. There were no Veklury sales in the first quarter of 2020. Sales of Veklury generally are affected by COVID-19 related rates of infections, hospitalizations and vaccinations, and will continue to be subject to significant volatility and uncertainty.

### Cell Therapy

Cell Therapy product sales, which include Tecartus and Yescarta, increased by 36% to \$191 million for the first quarter of 2021, compared to \$140 million for the same period in 2020. The growth was primarily due to the July 2020 launch of Tecartus in the United States and the continued uptake and geographic expansion of Yescarta in Europe.

### Trodelvy

Trodelvy generated \$72 million in sales in the United States for the first quarter of 2021 following the completion of our acquisition of Immunomedics on October 23, 2020.

### Other Product Sales

Other product sales, which include Ambisome, Cayston, Jyseleca, Letairis, Ranexa and Zydelig, decreased by 13% to \$241 million in the first quarter of 2021, compared to \$278 million for the same period in 2020. Letairis and Ranexa sales were lower in the first quarter of 2021, as anticipated, due to continued generic competition, following the losses of exclusivity in 2019.

### Product Sales by Geographic Area

Of our total product sales, 33% and 27% were generated outside the United States for the first quarter of 2021 and 2020, respectively. We generally face exposure to movements in foreign currency exchange rates, primarily in the Euro. We use foreign currency exchange contracts to hedge a portion of our foreign currency exposures. Foreign currency exchange, net of hedges, had a favorable impact on our product sales of \$80 million for the first quarter of 2021, based on a comparison using foreign currency exchange rates from the first quarter of 2020.

Product sales in the United States increased by 6% to \$4.2 billion in the first quarter of 2021, compared to \$4.0 billion for the same period in 2020, primarily due to sales of Veklury as well as sales of Trodelvy and the launch of Tecartus in the third quarter of 2020. The increases were partially offset by continued generic competition from the loss of exclusivity of Truvada and Atripla, lower HCV sales and the anticipated decline in sales volume of Letairis and Ranexa following the losses of exclusivity in 2019.

Product sales in Europe increased by 38% to \$1.3 billion for the first quarter of 2021, compared to \$927 million for the same period in 2020, primarily due to sales of Veklury, the continued patient uptake of Biktarvy, and the continued patient uptake and geographic expansion of Yescarta. The increase was partially offset by lower HCV sales driven by lower patient starts due to the continued impact from the COVID-19 pandemic. The lower HCV sales were partially offset by higher average net selling price due to a favorable government rebate adjustment. Foreign currency exchange, net of hedges, had a favorable impact on our Europe product sales of \$52 million for the first quarter of 2021, based on a comparison using foreign currency exchange rates from the first quarter of 2020.

Product sales in other locations increased by 50% to \$825 million for the first quarter of 2021, compared to \$551 million for the same period in 2020, primarily due to higher sales volumes of Veklury, Biktarvy and Vemlidy.

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

	Three Months Ended March 31,		
(in millions, except percentages)	2021	2020	Change
<b>HIV Products</b>			
<b>Descovy (FIC/TAF) Based Products</b>			
Biktarvy – U.S.	\$ 1,465	\$ 1,412	4 %
Biktarvy – Europe	216	181	19 %
Biktarvy – Other International	143	100	43 %
	<u>1,824</u>	<u>1,693</u>	8 %
Descovy – U.S.	282	363	(22) %
Descovy – Europe	42	61	(31) %
Descovy – Other International	35	34	3 %
	<u>359</u>	<u>458</u>	(22) %

Genvoya – U.S	506	612	(17)%
Genvoya – Europe	106	151	(30)%
Genvoya – Other International	61	61	— %
	673	824	(18)%
Odefsey – U.S	240	269	(11)%
Odefsey – Europe	113	127	(11)%
Odefsey – Other International	14	13	8 %
	367	409	(10)%
Revenue share – Symtuza <sup>(1)</sup> – U.S	89	72	24 %
Revenue share – Symtuza <sup>(1)</sup> – Europe	44	38	16 %
Revenue share – Symtuza <sup>(1)</sup> – Other International	2	2	— %
	135	112	21 %
Total Descovy (FTC/TAF) Based Products – U.S	2,582	2,728	(5)%
Total Descovy (FTC/TAF) Based Products – Europe	521	558	(7)%
Total Descovy (FTC/TAF) Based Products – Other International	255	210	21 %
	3,358	3,496	(4)%
<b>Truvada (FTC/TDF) Based Products</b>			
Atripla – U.S	23	81	(72)%
Atripla – Europe	4	7	(43)%
Atripla – Other International	4	7	(43)%
	31	95	(67)%
Complera / Eviplera – U.S	25	24	4 %
Complera / Eviplera – Europe	34	47	(28)%
Complera / Eviplera – Other International	4	5	(20)%
	63	76	(17)%
Stribild – U.S	31	34	(9)%
Stribild – Europe	11	17	(35)%
Stribild – Other International	4	2	100 %
	46	53	(13)%
Truvada – U.S	119	383	(69)%
Truvada – Europe	7	8	(13)%
Truvada – Other International	9	15	(40)%
	135	406	(67)%
Total Truvada (FTC/TDF) Based Products – U.S	198	522	(62)%
Total Truvada (FTC/TDF) Based Products – Europe	56	79	(29)%
Total Truvada (FTC/TDF) Based Products – Other International	21	29	(28)%
	275	630	(56)%
Other HIV <sup>(2)</sup> – U.S	6	3	100 %
Other HIV <sup>(2)</sup> – Europe	1	2	(50)%
Other HIV <sup>(2)</sup> – Other International	10	3	NM
	17	8	NM
Total HIV – U.S	2,786	3,253	(14)%
Total HIV – Europe	578	639	(10)%
Total HIV – Other International	286	242	18 %
	3,650	4,134	(12)%
<b>HCV Products</b>			
Ledipasvir / Sofosbuvir <sup>(3)</sup> – U.S	19	53	(64)%
Ledipasvir / Sofosbuvir <sup>(3)</sup> – Europe	16	11	45 %
Ledipasvir / Sofosbuvir <sup>(3)</sup> – Other International	21	48	(56)%
	56	112	(50)%

Sofosbuvir / Velpatasvir <sup>(4)</sup> – U.S.	214	311	(31)%
Sofosbuvir / Velpatasvir <sup>(4)</sup> – Europe	75	122	(39)%
Sofosbuvir / Velpatasvir <sup>(4)</sup> – Other International	92	131	(30)%
	381	564	(32)%
Other HCV <sup>(5)</sup> – U.S.	25	34	(26)%
Other HCV <sup>(5)</sup> – Europe	44	15	NM
Other HCV <sup>(5)</sup> – Other International	4	4	—%
	73	53	38 %
Total HCV – U.S.	258	398	(35)%
Total HCV – Europe	135	148	(9)%
Total HCV – Other International	117	183	(36)%
	510	729	(30)%
<b>HBV/HDV Products</b>			
Vemlidy – U.S.	77	73	5 %
Vemlidy – Europe	8	7	14 %
Vemlidy – Other International	96	56	71 %
	181	136	33 %
Viread – U.S.	4	4	—%
Viread – Europe	7	11	(36)%
Viread – Other International	20	25	(20)%
	31	40	(23)%
Other HBV/HDV <sup>(6)</sup> – U.S.	—	8	NM
Other HBV/HDV <sup>(6)</sup> – Europe	8	2	NM
Other HBV/HDV <sup>(6)</sup> – Other International	—	—	NM
	8	10	(20)%
Total HBV/HDV – U.S.	81	85	(5)%
Total HBV/HDV – Europe	23	20	15 %
Total HBV/HDV – Other International	116	81	43 %
	220	186	18 %
<b>Veklury</b>			
Veklury – U.S.	820	—	NM
Veklury – Europe	388	—	NM
Veklury – Other International	248	—	NM
	1,456	—	NM
<b>Cell Therapy Products</b>			
Tecartus – U.S.	27	—	NM
Tecartus – Europe	4	—	NM
Tecartus – Other International	—	—	NM
	31	—	NM
Yescarta – U.S.	92	103	(11)%
Yescarta – Europe	61	37	65 %
Yescarta – Other International	7	—	NM
	160	140	14 %
Total Cell Therapy – U.S.	119	103	16 %
Total Cell Therapy – Europe	65	37	76 %
Total Cell Therapy – Other International	7	—	NM
	191	140	36 %
<b>Trudelvy - U.S.</b>	72	—	NM
<b>Other Products</b>			
AmBisome – U.S.	12	18	(33)%
AmBisome – Europe	66	59	12 %
AmBisome – Other International	43	42	2 %
	121	119	2 %

Letairis – U.S.	54	83	(35)%
Ranexa – U.S.	3	8	(63)%
Zydelig – U.S.	8	8	—%
Zydelig – Europe	7	12	(42)%
Zydelig – Other International	—	—	NM
	15	20	(25)%
Other <sup>(7)</sup> – U.S.	27	33	(18)%
Other <sup>(7)</sup> – Europe	13	12	8%
Other <sup>(7)</sup> – Other International	8	3	NM
	48	48	—%
Total Other – U.S.	104	150	(31)%
Total Other – Europe	86	83	4%
Total Other – Other International	51	45	13%
	241	278	(13)%
Total product sales – U.S.	4,240	3,989	6%
Total product sales – Europe	1,275	927	38%
Total product sales – Other International	825	551	50%
	\$ 6,340	\$ 5,467	16%

NM- Not Meaningful

<sup>(1)</sup> 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 Unlimited Company.

<sup>(2)</sup> Includes Emtriva and Tybost.

<sup>(3)</sup> Amounts consist of sales of Harvoni and the authorized generic version of Harvoni sold by our separate subsidiary, Asegua Therapeutics LLC.

<sup>(4)</sup> Amounts consist of sales of Epclusa and the authorized generic version of Epclusa sold by our separate subsidiary, Asegua Therapeutics LLC.

<sup>(5)</sup> Includes Vosevi and Sovaldi.

<sup>(6)</sup> Includes Hepcludex and Hepsera. The first quarter of 2021 includes \$6 million Hepcludex sales, following the completion of our acquisition of MYR on March 4, 2021.

<sup>(7)</sup> Includes Cayston and Jyseleca.

## Costs and Expenses

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

(in millions, except percentages)	Three Months Ended March 31,		Change
	2021	2020	
Cost of goods sold	\$ 1,361	\$ 969	40%
Product gross margin	78.5%	82.3%	-380 bps
Research and development (“R&D”) expenses	\$ 1,055	\$ 1,004	5%
Acquired IPR&D expenses	\$ 62	\$ 97	(36)%
Selling, general and administrative (“SG&A”) expenses	\$ 1,055	\$ 1,076	(2)%

### Cost of Goods Sold and Product Gross Margin

Cost of goods sold for the first quarter of 2021 increased by \$392 million, or 40%, compared to the same period in 2020, primarily due to higher acquisition-related expenses from amortization of finite-lived intangible assets and inventory step-up charges of \$506 million driven by our fourth quarter 2020 acquisition of Immunomedics, as well as increased product sales. The increase was partially offset by a decline in royalty expenses primarily due to lower sales of products containing emtricitabine and elvitegravir.

Product gross margin for the first quarter of 2021 decreased primarily due to factors mentioned above and unfavorable product sales mix and an inventory reserve adjustment.

### 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 milestone payments, licenses and fees, expense reimbursements to the collaboration partners, personnel costs including salaries, benefits and stock-based compensation expense, and overhead allocations including 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.

The following table provides a breakout of our R&D expenses by major cost type:

(in millions, except percentages)	Three Months Ended March 31,		Change
	2021	2020	
Clinical studies and outside services	\$ 338	\$ 421	(20) %
Personnel, infrastructure and other expenses	654	519	26 %
Stock-based compensation expenses	63	64	(2) %
Total	\$ 1,055	\$ 1,004	5 %

R&D expenses for the first quarter of 2021 increased by 5%, compared to the same period in 2020, primarily due to higher expenses driven by headcount growth due to the fourth quarter 2020 acquisition of Immunomedics and higher investments in oncology programs including magrolimab and Trodelvy. Partly offsetting these increases, we incurred lower expenses on other programs, including cancellations of certain filgotinib programs in connection with the December 2020 amended agreement with Galapagos. The first quarter 2020 R&D expenses also reflected investments in remdesivir due to the manufacturing ramp-up and clinical trial costs prior to the commercialization of Veklury.

#### *Acquired In-Process Research and Development 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 Income. 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 during the three months ended March 31, 2021 and 2020.

Acquired IPR&D expenses of \$62 million and \$97 million for the first quarter of 2021 and 2020, were related to licensing, collaboration, investment and other arrangements we entered into during the periods.

#### *Selling, General and Administrative Expenses*

SG&A expenses relate to sales and marketing, finance, human resources, legal and other administrative activities, including information technology investments. 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 first quarter of 2021 decreased by \$21 million or 2%, compared to the same period in 2020. The decrease was primarily due to lower corporate grants and lower promotional expenses in HIV and HCV, partially offset by higher costs associated with the commercialization efforts for Veklury, Trodelvy and Cell Therapy.

#### **Other Income (Expense), Net and Interest Expense**

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

(in millions, except percentages)	Three Months Ended March 31,		Change
	2021	2020	
Other income (expense), net	\$ (369)	\$ (158)	NM
Interest expense	\$ (257)	\$ (241)	7 %

NM- Not Meaningful

The change in Other income (expense), net for the first quarter of 2021, compared to the same period in 2020, was primarily due to unfavorable changes in the fair value of investments in equity securities driven by our equity investment in Galapagos.

Interest expense for the first quarter of 2021 increased by \$16 million or 7%, compared to the same period in 2020, primarily due to an increase in borrowing driven by the fourth quarter 2020 acquisition of Immunomedics, partially offset by favorable effects from debt maturities and repayments.

#### Income Taxes

The following table summarizes the period-over-period changes in our Income tax expense:

(in millions, except percentages)	Three Months Ended March 31,		
	2021	2020	Change
Income before income taxes	\$ 2,264	\$ 2,003	\$ 261
Income tax expense	\$ 542	\$ 465	\$ 77
Effective tax rate	23.9 %	23.2 %	0.7 %

Our effective tax rate and provision increased for the first quarter of 2021, compared to the same period in 2020, primarily due to unfavorable changes in the fair value of our equity investments primarily in Galapagos that are non-deductible for income tax purposes, partially offset by net discrete tax benefits related to favorable settlements with taxing authorities.

#### 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:

(in millions)	March 31, 2021	December 31, 2020
Cash, cash equivalents and marketable debt securities	\$ 6,245	\$ 7,910
Working capital	\$ 3,573	\$ 4,599

#### Cash, Cash Equivalents and Marketable Debt Securities

Cash, cash equivalents and marketable debt securities as of March 31, 2021 decreased by \$1.7 billion, or 21%, compared to December 31, 2020. During the first quarter of 2021, we generated \$2.6 billion in operating cash flow, made early debt repayments of \$1.25 billion, which included \$1.0 billion principal amount of senior unsecured notes due in April 2021 and \$250 million principal amount under our \$1.0 billion three-year senior unsecured term loan facility. In addition, we utilized \$1.2 billion on the MYR acquisition, including IPR&D, net of cash acquired, paid cash dividends of \$917 million and utilized \$309 million on repurchases of our common stock.

#### Working Capital

Working capital, which is current assets less current liabilities, decreased by \$1.0 billion, or 22%, compared to December 31, 2020, primarily due to the utilization of cash, cash equivalents and marketable debt securities for our acquisition of MYR as noted above.

Accounts receivable decreased by \$1.0 billion, compared to December 31, 2020, primarily due to collections of Veklury receivables during the first quarter of 2021.

Other accrued liabilities decreased by \$829 million compared to December 31, 2020, primarily due to certain tax payments made to taxing authorities during the first quarter of 2021.

#### Cash Flows

The following table summarizes our cash flow activities:

(in millions)	Three Months Ended March 31,	
	2021	2020
Cash provided by (used in):		
Operating activities	\$ 2,610	\$ 1,436
Investing activities	\$ (2,042)	\$ (344)
Financing activities	\$ (2,477)	\$ (2,611)

### *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 \$1.2 billion to \$2.6 billion for the first quarter of 2021, compared to the same period in 2020. The increase was primarily the result of changes in working capital reflecting collections of Veklury receivables during the first quarter of 2021.

### *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 increased by \$1.7 billion to \$2.0 billion for the first quarter of 2021, compared to the same period in 2020, primarily due to our acquisition of MYR.

### *Financing Activities*

The change in cash used in financing activities for the first quarter of 2021, compared to the same period in 2020, was primarily due to \$1.0 billion lower repurchases of our common stock, partially offset by \$750 million higher repayments of debt during the first quarter of 2021.

### **Debt and Credit Facilities**

A summary of our borrowings under various financing arrangements is included in Note 10. 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. We may choose to repay certain of our long-term debt obligations prior to maturity dates based on our assessment of current and long-term liquidity and capital requirements.

During the three months ended March 31, 2021, we repaid \$1.25 billion of debt. In January 2021, we repaid \$1.0 billion of senior unsecured notes prior to the April 2021 maturity, by exercising a 3-month par call. In March 2021, we repaid \$250 million principal amount under our \$1.0 billion three-year senior unsecured term loan facility, leaving \$750 million principal amount outstanding as of March 31, 2021. As of March 31, 2021 and December 31, 2020, there were no amounts outstanding under our \$2.5 billion revolving credit facility maturing in June 2025. We are required to comply with certain covenants under our note indentures governing our senior unsecured notes. As of March 31, 2021, we were in compliance with all covenants.

### **CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS**

The preparation of our Condensed Consolidated Financial Statements in accordance with U.S. GAAP requires management 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, 2020. There were no material changes to our critical accounting policies and estimates during the three months ended March 31, 2021.

### **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**

There have been no new accounting pronouncements issued nor adopted during the three months ended March 31, 2021 that are of significance to us.

### **ACQUISITIONS, COLLABORATIONS AND OTHER ARRANGEMENTS**

See Note 6. Acquisitions and Note 9. 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 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 months ended March 31, 2021 compared to the disclosures in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2020.

#### **Item 4. CONTROLS AND PROCEDURES**

##### **Evaluation of Disclosure Controls and Procedures**

An evaluation as of March 31, 2021 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 March 31, 2021.

##### **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 March 31, 2021, 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 11. 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 discussion of material risks, events and uncertainties that make an investment in us speculative or risky in addition to the other information in this Quarterly Report on Form 10-Q. A manifestation of any of the following risks and uncertainties could, in circumstances we may or may not be able to accurately predict, materially and adversely affect our business, growth, reputation (including the commercial or scientific reputation of our products), prospects, product pipeline and sales, operating and financial results, financial condition, cash flows, liquidity and stock price. 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; our operations could also be affected by factors, events or uncertainties that are not presently known to us or that we currently do not consider to present significant risks to our operations. Therefore, you should not consider the following risks to be a complete statement of all the potential risks or uncertainties that we face.*

#### Product and Commercialization Risks

**Certain of our products subject us to additional or heightened risks.**

##### *HIV Products*

We receive a substantial portion of our revenue from sales of our products for the treatment and prevention of HIV infection. During the three months ended March 31, 2021, sales of our HIV products accounted for approximately 58% of our total product sales. We may be unable to sustain or increase sales of our HIV products for any number of reasons, including market share gains by competitive products or the inability to introduce new HIV medications necessary to remain competitive. In such case, we may need to scale back our operations, including our future drug development and spending on research and development (“R&D”) efforts. For example, 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, and any changes to the treatment paradigm for HIV may cause nucleoside-based therapeutics to fall out of favor.

##### *Veklury (remdesivir)*

We face risks related to our significant investment in the rapid development, manufacturing and distribution of Veklury (remdesivir), which was approved by the U.S. Food and Drug Administration (“FDA”) in October 2020 as a treatment for hospitalized patients with COVID-19. Given the severity and urgency of the COVID-19 pandemic, we committed significant capital and resources for clinical trials and the scale-up of the production of remdesivir. We expect our investment will continue through 2021 and beyond, as we continue to manufacture large quantities of finished product and conduct additional studies of specific patient populations, and develop and evaluate new formulations and delivery methods and combinations with other therapies. While the utilization of remdesivir has largely tracked the level of infections, we are unable to accurately predict our revenues or supply needs over the short and long term due to the potential for new and better therapeutics, the availability and effectiveness of vaccines and fluctuating hospital utilization rates. For example, we have observed that the volume of Veklury sales in the first quarter of 2021 reflected lower infections and growing vaccination rates compared to the fourth quarter of 2020. If we are unable to accurately forecast demand or manufacture Veklury at levels to meet actual demand, then this may result in shortages or excess inventory that may be written off. We are subject to significant public attention and scrutiny over the complex decisions made regarding the clinical data, allocation, distribution and pricing of Veklury, all of which affects our corporate reputation.

##### *Yescarta*

Advancing a novel and personalized therapy such as Yescarta, which is a Chimeric Antigen Receptor (“CAR”) T cell therapy, creates significant challenges, including:

- educating and certifying medical personnel regarding the procedures and the potential side effects, such as cytokine release syndrome and neurologic toxicities, in compliance with the Risk Evaluation and Mitigation Strategy program required by FDA;
- securing sufficient supply of other medications to manage side effects, such as tocilizumab and corticosteroids, which may not be available in sufficient quantities, may not adequately control the side effects and/or may have detrimental impacts on the efficacy of Yescarta;

- developing and maintaining a robust and reliable process for engineering a patient's T cells in our facilities and infusing them 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 pressures from government agencies and other third parties, required rebates and other discounts on our products and other pricing pressures."

We rely on third-party sites to collect patients' white blood cells, known as apheresis centers, as well as shippers, couriers, and hospitals for the logistical collection of patients' white blood cells and ultimate delivery of Yescarta to patients. These vendors may encounter disruptions or difficulties that could result in product loss and regulatory action. Apheresis centers may also choose not to participate in our quality certification process, or we may be unable to complete such certification in a timely manner or at all, which could delay or constrain our manufacturing and commercialization efforts.

**Our success depends on developing and commercializing new products or expanding the indications for existing products.**

If we are unable to launch commercially successful new products or new indications for existing products our business will be adversely impacted. The launch of commercially successful products is necessary to grow our business, cover our substantial R&D expenses, and offset revenue losses when existing products lose market share due to factors such as competition and loss of patent exclusivity. 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.

**We face challenges in accurately forecasting sales because of the difficulties in predicting demand for our products and fluctuations in purchasing patterns or wholesaler inventories.**

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, product demand may be adversely affected if physicians do not see the benefit of our products. Additionally, the non-retail sector in the United States, which includes government institutions, including state AIDS Drug Assistance Programs, 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. 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. 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. For the three months ended March 31, 2021, approximately 94% 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 from global pharmaceutical and biotechnology companies, specialized pharmaceutical firms and generic drug manufacturers.**

New branded or generic products entering major markets affects our ability to maintain pricing and market share. 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. A number of companies are pursuing the development of technologies which are competitive with our existing products or research programs. These competing companies include large pharmaceutical and biotechnology companies and specialized pharmaceutical firms acting either independently or together with other such companies. Furthermore, academic institutions, government agencies and other public and private organizations conducting research may seek patent protection or may establish collaborative arrangements for competitive products or programs. We may be adversely impacted if any of these competitors gain market share as a result of new technologies, commercialization strategies or otherwise.

**Our existing products are subject to reimbursement pressures from government agencies and other third parties, required rebates and other discounts on our products and other pricing pressures.**

*Product Reimbursements*

Successful commercialization of our products depends, in part, on the availability of third-party payer reimbursement for the cost of such products and related treatments and medical services in the markets where we sell our products. Government health authorities, private health insurers and other organizations generally provide reimbursement. 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.

Legislative and regulatory actions affecting government prescription drug procurement and reimbursement programs occur relatively frequently. For example, in September 2020, FDA issued a final rule implementing a pathway for the importation of certain prescription drugs from Canada. This rule is subject to ongoing litigation. In addition, in November 2020, the Centers for Medicare & Medicaid Services (“CMS”) issued an interim final rule that would substantially alter the Medicare Part B reimbursement system for physician-administered medicines as of January 1, 2021. This rule is subject to ongoing litigation and CMS has been preliminarily enjoined from implementing the rule. We may be adversely impacted by any such legislative and regulatory actions, though it is difficult to predict the impact, if any, on the use and reimbursement of our products.

*Product Pricing, Discounts and Rebates*

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. In the United States, the volume of drug pricing-related bills has dramatically increased in recent years. For example, Congress proposed bills to change the Medicare Part D benefit to impose an inflation-based rebate when list prices for drugs grow faster than inflation and to increase manufacturer contributions in some or all of the benefit phases. In addition, many state legislatures are considering, or have already passed into law, legislation that seeks to indirectly or directly regulate pharmaceutical drug pricing, such as requiring manufacturers to publicly report proprietary pricing information, creating review boards for prices to state agencies, and encouraging the use of generic drugs. Such initiatives and legislation may cause added pricing pressures on our products, and the resulting impact on our business is uncertain. Many countries outside the United States, including the European Union member states, have established complex and lengthy procedures to obtain price approvals, coverage reimbursement and periodically review their pricing and reimbursement decisions. 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.

A substantial portion of our product sales is subject to significant discounts from list price, including rebates that we may be required to pay state Medicaid agencies and discounts provided to 340B covered entities. Changes to the 340B program or the Medicaid program at the federal or state level could have a material adverse effect on our business. For example, in December 2020, CMS issued a final rule that will make certain changes to the calculation of rebates under the Medicaid Drug Rebate Program. Among other changes, effective January 1, 2023, the final rule will change the requirements for excluding manufacturer co-pay coupons from the Medicaid “best price.” If these changes go into effect, they could substantially increase our Medicaid rebate obligations and decrease the prices we charge 340B covered entities. The continued growth of the 340B program also limits the prices we may charge to an increasing number of customers.

In addition, standard reimbursement structures may not adequately reimburse for innovative therapies. For example, beginning in fiscal year 2021, CMS established a new severity adjusted diagnosis related group (“DRG”) 018 for Medicare inpatient reimbursement of CAR T products such as Yescarta and Tecartus. While the new DRG has a significantly higher base payment amount than the prior DRG 016, the payment available may not be sufficient to reimburse some hospitals for their cost of care for patients receiving Yescarta and Tecartus. When reimbursement is not aligned well to account for treatment costs, Medicare beneficiaries may be denied access as this misalignment could impact the willingness of some hospitals to offer the therapy and of doctors to recommend the therapy. Additionally, in the European Union, there are barriers to reimbursement in individual countries that could limit the uptake of Yescarta and Tecartus.

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.

**We may experience adverse impacts resulting from imports from countries where our products are available at lower prices or imports of unapproved generic or counterfeit versions of our products.**

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. For example, U.S. sales could also be affected if FDA permits importation of drugs from Canada. 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 generic versions of certain of our products for distribution in certain low- and middle-income countries. We may be adversely affected 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.

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.

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, and adversely impact us.

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, which could adversely impact us.

Further, third parties may illegally distribute and sell illegally diverted and counterfeit versions of our medicines, which do not meet the rigorous quality standards of our manufacturing and supply chain. Illegally diverted and counterfeit medicines pose a serious risk to patient health and safety and may raise the risk of product recalls. Our actions to discourage the distribution and sale of illegally diverted and counterfeit versions of our medicines around the world may not be successful, and we may be adversely affected as a result.

**Product Development and Supply Chain Risks**

**We face risks in our clinical trials, including the potential for unfavorable results, delays in anticipated timelines and disruption.**

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.

We may be adversely impacted if the clinical trials for any of the product candidates in our pipeline are delayed or terminated. We face numerous risks and uncertainties with our product candidates 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. In 2021, our key anticipated milestones for our product candidates include, among others, Phase 3 data readouts for (1) sacituzumab govitecan-hziy for the treatment of hormone receptor positive, human epidermal growth factor receptor 2 negative, metastatic breast cancer patients, (2) axicabtagene ciloleucel for the treatment of second line diffuse large B cell lymphoma and (3) bulevirtide for the treatment of chronic hepatitis delta virus. We may be adversely impacted if we do not have favorable results from these studies and other programs in our pipeline cannot be completed on a timely basis or at all. In addition, clinical trials involving our commercial products could raise new safety issues for our existing products.

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 may face manufacturing difficulties, delays or interruptions, including at our third-party manufacturers and corporate partners.**

Our products, which are manufactured at our own facilities or by third-party manufacturers and corporate partners, are the result of complex, highly regulated manufacturing processes. We depend on third-party manufacturers and corporate partners to perform manufacturing activities effectively and on a timely basis for the majority of our active pharmaceutical ingredients and drug products. These third parties are independent entities subject to their own unique operational and financial risks that are out of our control. We and our third-party manufacturers and 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 the European Medicines Agency ("EMA"), as well as comparable regulations in other jurisdictions. Manufacturing operations are also subject to routine inspections by regulatory agencies.

Any adverse developments affecting or resulting from our manufacturing operations or the operations of our third-party manufacturers and corporate partners may result in shipment delays, inventory shortages, lot failures, product withdrawals or recalls or other interruptions in the commercial supply of our products. We may also need to take inventory write-offs and incur other charges and expenses for products that fail to meet specifications and quality standards, undertake costly remediation efforts or seek more costly manufacturing alternatives. Such developments could increase our manufacturing costs, cause us to lose revenues or market share and damage our reputation. In addition, manufacturing issues may cause delays in our clinical trials and applications for regulatory approval. For example, if we are unable to remedy any deficiencies cited by FDA or other regulatory agencies in their inspections, our existing products and the timing of regulatory approval of product candidates 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. Our business may be adversely affected if approval of any of our product candidates were delayed or if production of our products were interrupted.

**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 and sell our products could be limited.

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 maintain 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. 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 in development for clinical trials. Also, some of our products and the materials that we utilize in our operations are manufactured by only one supplier or 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 or facilities 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.

### **Regulatory and Other Legal Risks**

**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 have filed, and anticipate that we will file, for marketing approval in additional countries and for additional indications and products over the next several years. 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.

Further, how we manufacture and sell our products is subject to extensive regulation and review. 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. Discovery of previously unknown problems with our marketed products or product candidates, including serious safety, resistance or drug interaction issues, or problems with our manufacturing, safety reporting or promotional activities may result in regulatory approvals being delayed, denied or granted with significant restrictions on our products, including limitations on or the withdrawal of the products from the market.

Failure to comply with these or other requirements imposed by FDA could result in significant civil monetary penalties, fines suspensions of regulatory approvals, product recalls, seizure of products and criminal prosecutions.

**We are impacted by evolving laws, regulations and legislative or regulatory actions applicable to the health care industry.**

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 and other federal and state laws relating to the privacy and security of health information. Actual or alleged 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 and Department of Veterans Affairs and Department of Defense health programs, actions against executives overseeing our business and significant remediation measures, negative publicity or other consequences. These laws and regulations are broad in scope and subject to changing 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. For example, in the United States, a challenge to the Affordable Care Act ("ACA") is currently pending before the U.S. Supreme Court, which has 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.

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.

There also 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.

For a description of our government investigations and related litigation, Note 11. 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.

**We are subject to risks if significant safety issues arise for our marketed products or our product candidates.**

As additional studies are conducted subsequent to obtaining marketing approval for our products, and as our products are used over longer periods of time by many patients, including 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, or to halt sales of a product.

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.

**Our success depends to a significant degree on our ability to obtain and defend our patents and other intellectual property rights both domestically and internationally, and to operate without infringing upon the patents or other proprietary rights of third parties.**

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 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, we may be adversely impacted.

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 11. 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.

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.

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, as well as certain uses of combinations of FTC and TDF or TAF. For example, 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. The court has set a trial date of January 2022 for this lawsuit. ViiV is seeking billions of dollars for alleged damages comprised of ViiV’s lost profits and a royalty on sales of bictegravir from launch through the trial. In addition, should a court find that we are liable for infringement, we expect ViiV will seek a royalty on sales after the trial. ViiV calculates these damages based on the cumulative U.S. revenues from Biktarvy since launch, which have totaled \$12.9 billion through March 31, 2021. Although we cannot predict with certainty the ultimate outcome of this litigation, an adverse judgment could result in substantial monetary damages, including ViiV’s lost profits and royalties through trial, and a going-forward royalty stream on future sales. See a description of our litigation related to these and other matters in Note 11. 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.

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. We could be adversely affected 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.

**We face potentially significant liability and increased expenses from litigation and government investigations relating to our products and operations.**

We are involved in a number of litigation, investigation and other dispute-related matters that require us to expend substantial internal and financial resources, including ongoing litigation related to our Yescarta and Biktarvy products and ongoing product liability litigation related to our TDF-based products. These matters could require us to pay significant monetary damages, including royalty payments for past and future sales. 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 are expected to continue to reduce, our earnings and require significant management attention.

In addition, 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 and claims may exceed our coverage.



For a description of our litigation, investigations and other dispute-related matters, see Note 11. 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 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.

### **Operational Risks**

**Our business has been, and may in the future be, adversely affected by outbreaks of epidemic, pandemic or contagious diseases, including the recent 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. For example, the COVID-19 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 II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” we are monitoring a number of risks related to the pandemic, including the following:

- **Supply Chain:** The pandemic could result in disruptions to our supply chain and distribution 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 pandemic, could impact the availability or productivity of products and personnel at 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 higher costs, disruptions in our supply chain and interruptions in our distribution capabilities.
- **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. For ongoing trials, clinical trial sites have imposed 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 a risk that closures at clinical sites may be necessary as the pandemic and related guidance and restrictions continue to evolve. For the foregoing reasons, we have experienced delays with new subject enrollment for most clinical trials, and may continue to experience overall delays in our clinical trials. There is also the risk of biased data collection if only certain clinical trial sites remain open. As a result of these challenges, our anticipated filing and marketing timelines for certain products may be adversely impacted.
- **Regulatory Reviews:** The operations of FDA, EMA or other regulatory agencies may be adversely affected. We may also experience delays in necessary interactions with regulatory authorities around the world, including with respect to any anticipated filing, which together with other factors resulting from the pandemic may adversely impact our ability to launch new commercial products.
- **Patient Access:** The 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. For example, we have seen a reduction in prescription refills for HIV prevention as a result of higher discontinuations. In addition, with the rising unemployment, we have experienced a shift in payer mix towards more government-funded coverage and the uninsured segment.
- **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 continue to work on Gilead sites. Our job site enhancements and risk protocols, which include health screenings and COVID-19 testing, do not guarantee that we can maintain the continued safe occupancy of our sites. On-site employees testing positive for COVID-19 could lead to mandatory quarantines and potential site shutdowns of office locations and manufacturing plants.

- **Financial:** The 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, our HCV treatment and HIV businesses have been adversely impacted. For example, our product sales, excluding Veklury, for the full year 2020 and first quarter 2021 decreased 3% and 11%, respectively, compared to full year 2019 and first quarter 2020, respectively, due in part to the continued effects of the pandemic on our HCV and HIV franchises. We may continue to experience fluctuating revenues from these businesses as infection rates rise and fall and as shelter in place restrictions are periodically tightened and eased. We have also experienced, and may continue to experience, volatility in our short-term revenues due to fluctuations in inventory channel purchases during the pandemic. We could also have additional unexpected expenses related to the pandemic, which could negatively affect our results of operations. These factors together with the overall uncertainty and disruption caused by the pandemic could result in increased volatility and decreased predictability in our results of operations and volatility in our stock price.

The pandemic may also amplify many of the other risks described throughout the “Risk Factors” section of this Quarterly Report on Form 10-Q. The extent to which the pandemic impacts our business and results will depend on future developments, which are uncertain and cannot be predicted with confidence, including any potential future waves of the pandemic, new variants of the virus that impact the severity and duration of the pandemic, the development, distribution, effectiveness and public acceptance of vaccines, and any other ongoing and future actions taken to contain the pandemic.

#### **We face risks associated with our global operations.**

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

- **Foreign Currency Exchange:** For the three months ended March 31, 2021, approximately 33% 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. Our hedging program does not eliminate our exposure to currency fluctuations. We may be adversely impacted if the U.S. dollar appreciates significantly against certain currencies and our hedging program does not sufficiently offset the effects of such appreciation.
- **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. 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, 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 healthcare programs.

Other risks inherent in conducting a global business include:

- Restrictive government actions against our intellectual property and other foreign assets such as nationalization, expropriation, the imposition of compulsory licenses or similar actions, including waiver of intellectual property protections.
- 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.
- 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 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. In the event of a major earthquake, we may not carry adequate earthquake insurance and significant recovery time could be required to resume operations.

- 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.

**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 Syntuza. In some countries, we rely on international distributors for sales of certain of our products. Some of these relationships also involve the clinical development 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.

**Due to the specialized and technical nature of our business, the failure to attract, develop and retain highly qualified personnel could adversely impact us.**

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. Our ability to do so also depends in part on how well we maintain a strong workplace culture that is attractive to employees. In addition, competition for qualified personnel in the biopharmaceutical field is intense, and there is a limited pool of qualified potential employees to recruit. We face competition for personnel from other companies, universities, public and private research institutions, government entities and other organizations. 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 one of the jurisdictions in which we operate.

**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 maintain 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 include, for example, 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. There can be no assurance that our efforts, or the efforts of our partners and vendors, to invest in the protection of information technology infrastructure and data will prevent future service interruptions or identify breaches in our systems. Such interruptions or breaches could cause the loss of critical or sensitive information, including personal information. In addition, our insurance may not be sufficient in type or amount to cover the 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.

**Strategic and Financial Risks**

**We are subject to risks associated with engaging in business acquisitions, licensing arrangements, collaborations, options, equity investments, asset divestitures and other strategic transactions.**

We have engaged in, and may in the future engage in, such 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. If we are successful in making an acquisition or closing a licensing arrangement or collaboration, the products, intellectual property and technologies that are acquired or licensed may not be successful or may require significantly greater resources and investments than anticipated. As part of our 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, we may need to recognize impairment charges if the products, intellectual property and technologies that are acquired or licensed are not successful. 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 rights have 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. If we are not successful in the execution or implementation of these transactions, our financial condition, cash flows and results of operations may be adversely affected, and our stock price could decline.

We have paid substantial amounts of cash and incurred additional debt to finance our strategic transactions. Additional indebtedness and a lower cash balance could result in a downgrade of our credit ratings, limit our ability to borrow additional funds or refinance existing debt on favorable terms, increase our vulnerability to adverse economic or industry conditions, and reduce our financial flexibility to continue with our capital investments, stock repurchases and dividend payments. For example, as a result of the cash used and the debt issued in connection with our acquisition of Immunomedics in 2020, S&P downgraded our credit rating. We may be adversely impacted by any failure to overcome these additional risks.

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

We are subject to income taxes and tax return audits 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, and we cannot predict the form or timing of such changes. For example, the new U.S. Presidential administration has proposed to increase the U.S. corporate income tax rate from its current 21%, among numerous other corporate tax reform proposals. 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 may be adversely affected by the resolution of one or more of these exposures in any reporting period.

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/acquisitions and restructurings, 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.

**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 March 31, 2021:

	Total Number of Shares Purchased (in thousands)	Average Price Paid per Share (in dollars)	Total Number of Shares Purchased as Part of Publicly Announced Program <sup>(1)</sup> (in thousands)	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(1)</sup> (in millions)
January 1 - January 31, 2021	54	\$ 65.08	—	\$ 6,816
February 1 - February 28, 2021	221	\$ 67.29	—	\$ 6,816
March 1 - March 31, 2021	5,882	\$ 64.60	4,771	\$ 6,506
Total	6,157 <sup>(2)</sup>	\$ 64.70	4,771 <sup>(2)</sup>	

<sup>(1)</sup> 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 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.

<sup>(2)</sup> 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.

## Exhibit Index

Exhibit Footnote	Exhibit Number	Description of Document
(1)	2.1	<u>Agreement and Plan of Merger, dated September 13, 2020, among Immunomedics, Inc., Gilead Sciences, Inc. and Maui Merger Sub, Inc.</u>
(2)	3.1	<u>Restated Certificate of Incorporation of Registrant</u>
(2)	3.2	<u>Amended and Restated Bylaws of Registrant</u>
	4.1	Reference is made to Exhibit 3.1 and Exhibit 3.2
(3)	4.2	<u>Indenture related to Senior Notes, dated as of March 30, 2011, between Registrant and Wells Fargo, National Association, as Trustee</u>
(3)	4.3	<u>First Supplemental Indenture related to Senior Notes, dated as of March 30, 2011, between Registrant and Wells Fargo, National Association, as Trustee (including form of Senior Notes)</u>
(4)	4.4	<u>Second Supplemental Indenture related to Senior Notes, dated as of December 13, 2011, between Registrant and Wells Fargo, National Association, as Trustee (including Form of 2041 Note)</u>
(5)	4.5	<u>Third Supplemental Indenture related to Senior Notes, dated as of March 7, 2014, between Registrant and Wells Fargo, National Association, as Trustee (including Form of 2024 Note and Form of 2044 Note)</u>
(6)	4.6	<u>Fourth Supplemental Indenture related to Senior Notes, dated as of November 17, 2014, between Registrant and Wells Fargo, National Association, as Trustee (including Form of 2025 Note and Form of 2045 Note)</u>
(7)	4.7	<u>Fifth Supplemental Indenture, dated as of September 14, 2015, between Registrant and Wells Fargo Bank, National Association, as Trustee (including Form of 2026 Note, Form of 2035 Note and Form of 2046 Note)</u>
(8)	4.8	<u>Sixth Supplemental Indenture, dated as of September 20, 2016, between Registrant and Wells Fargo Bank, National Association, as Trustee (including Form of 2023 Note, Form of 2027 Note, Form of 2036 Note and Form of 2047 Note)</u>
(9)	4.9	<u>Eighth Supplemental Indenture, dated as of September 30, 2020, between the Company and Wells Fargo Bank, National Association, as Trustee (including form of notes)</u>
(10)	4.10	<u>Description of Registrant's Securities</u>
(11)	10.1*	<u>Gilead Sciences, Inc. 2004 Equity Incentive Plan, amended and restated May 10, 2017</u>
(12)	10.2*	<u>Amendment No. 1 to Gilead Sciences, Inc. 2004 Equity Incentive Plan, amended and restated May 10, 2017</u>
(13)	10.3*	<u>Form of employee stock option agreement under 2004 Equity Incentive Plan (for grants made in 2011 through 2018)</u>
(14)	10.4*	<u>Form of employee stock option agreement under 2004 Equity Incentive Plan (for grants made in 2019)</u>
(15)	10.5*	<u>Form of global employee stock option agreement under 2004 Equity Incentive Plan (4 year vest) (for grants made in 2019)</u>
(16)	10.6*	<u>Form of global employee stock option agreement under 2004 Equity Incentive Plan (4 year vest) (for grants made in 2020)</u>
	10.7*,**	<u>Form of global employee stock option agreement under 2004 Equity Incentive Plan (4 year vest) (for grants commencing in 2021)</u>
(17)	10.8*	<u>Form of non-employee director stock option agreement under 2004 Equity Incentive Plan (for grants made in 2009 through 2012)</u>
(18)	10.9*	<u>Form of non-employee director stock option agreement (U.S.) under 2004 Equity Incentive Plan (for grants made in 2013)</u>
(18)	10.10*	<u>Form of non-employee director stock option agreement (non-U.S.) under 2004 Equity Incentive Plan (for grants made in 2013)</u>
(19)	10.11*	<u>Form of non-employee director stock option agreement under 2004 Equity Incentive Plan (for grants made in 2014 through 2018)</u>
(14)	10.12*	<u>Form of non-employee director stock option agreement under 2004 Equity Incentive Plan (for grants made in 2019)</u>
(20)	10.13*	<u>Form of non-employee director stock option agreement under 2004 Equity Incentive Plan (for grants made in 2020)</u>
(14)	10.14*	<u>Form of performance share award agreement - TSR Goals (U.S.) under 2004 Equity Incentive Plan (for grants made in 2019)</u>
(16)	10.15*	<u>Form of performance share award agreement - TSR Goals (U.S.) under 2004 Equity Incentive Plan (for grants made in 2020)</u>
	10.16*,**	<u>Form of performance share award agreement - TSR Goals (U.S.) under 2004 Equity Incentive Plan (for grants commencing in 2021)</u>
(14)	10.17*	<u>Form of performance share award agreement - Revenue Goals (U.S.) under 2004 Equity Incentive Plan (for grants made in 2019)</u>
(16)	10.18*	<u>Form of performance share award agreement - Revenue Goals (U.S.) under 2004 Equity Incentive Plan (for grants made in 2020)</u>
	10.19*,**	<u>Form of performance share award agreement - Revenue Goals (U.S.) under 2004 Equity Incentive Plan (for grants commencing in 2021)</u>
(13)	10.20*	<u>Form of employee restricted stock unit issuance agreement under 2004 Equity Incentive Plan (for grants made in 2011 through 2018)</u>
(14)	10.21*	<u>Form of employee restricted stock unit issuance agreement under 2004 Equity Incentive Plan (for grants made in 2019)</u>
(15)	10.22*	<u>Form of global employee restricted stock unit issuance agreement under 2004 Equity Incentive Plan (4 year vest) (for grants made in 2019)</u>
(16)	10.23*	<u>Form of global employee restricted stock unit issuance agreement under 2004 Equity Incentive Plan (4 year vest) (for grants made in 2020)</u>

	10.24*,**	<u>Form of global employee restricted stock unit issuance agreement under 2004 Equity Incentive Plan (4 year vest) (for grants commencing in 2021)</u>
(20)	10.25*	<u>Form of non-employee director restricted stock unit issuance agreement under 2004 Equity Incentive Plan (for grants made in 2020)</u>
(20)	10.26*	<u>Gilead Sciences, Inc. 2018 Equity Incentive Plan, amended and restated April 7, 2020</u>
(21)	10.27*	<u>Gilead Sciences, Inc. Employee Stock Purchase Plan, amended and restated January 22, 2015</u>
(14)	10.28*	<u>Gilead Sciences, Inc. 2005 Deferred Compensation Plan, amended and restated April 19, 2016</u>
(20)	10.29*	<u>Gilead Sciences, Inc. Severance Plan, amended and restated May 5, 2020</u>
(16)	10.30*	<u>Gilead Sciences, Inc. Corporate Annual Incentive Plan, amended and restated January 1, 2020</u>
(23)	10.31*	<u>Offer Letter between Registrant and Daniel O'Day, dated November 30, 2018</u>
(14)	10.32*	<u>Stock option agreement for Daniel O'Day under 2004 Equity Incentive Plan</u>
(14)	10.33*	<u>Performance share award agreement for Daniel O'Day (for TSR Goals in 2019) under 2004 Equity Incentive Plan</u>
(14)	10.34*	<u>Performance share award agreement for Daniel O'Day (for Revenue Goals in 2019) under 2004 Equity Incentive Plan</u>
(14)	10.35*	<u>Form of restricted stock unit issuance agreement for Daniel O'Day (in 2019) under 2004 Equity Incentive Plan</u>
(14)	10.36*	<u>Offer Letter between Registrant and Johanna Mercier, dated May 21, 2019</u>
(20)	10.37*	<u>Letter Agreement between Registrant and Johanna Mercier, dated May 4, 2020</u>
(16)	10.38*	<u>Global stock option agreement for Johanna Mercier (in 2019) under 2004 Equity Incentive Plan</u>
(16)	10.39*	<u>Restricted stock unit issuance agreement for Johanna Mercier (for Performance Objectives in 2019-2020) under 2004 Equity Incentive Plan</u>
(16)	10.40*	<u>Global restricted stock unit issuance agreement for Johanna Mercier (in 2019) under 2004 Equity Incentive Plan</u>
(16)	10.41*	<u>Offer Letter between Registrant and Merdad Parsey, dated September 29, 2019</u>
(16)	10.42*	<u>Global stock option agreement for Merdad Parsey (in 2019) under 2004 Equity Incentive Plan</u>
(16)	10.43*	<u>Global restricted stock unit issuance agreement for Merdad Parsey (in 2019) under 2004 Equity Incentive Plan</u>
(24)	10.44*	Form of Indemnity Agreement entered into between Registrant and its directors and executive officers
(24)	10.45*	Form of Employee Proprietary Information and Invention Agreement entered into between Registrant and certain of its officers and key employees
(25)	10.46*	<u>Form of Employee Proprietary Information and Invention Agreement entered into between Registrant and certain of its officers and key employees (revised September 2006)</u>  Amendment Agreement, dated October 25, 1993, between Registrant, the Institute of Organic Chemistry and Biochemistry (IOCB) and Rega 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)
+(26)	10.47	
+(27)	10.48	<u>Amendment Agreement between Registrant and IOCB/REGA, dated December 27, 2000, amending the 1991 License Agreement and the December 1992 License Agreement</u>
+(28)	10.49	<u>Sixth Amendment Agreement to the License Agreement, between IOCB/REGA and Registrant, dated August 18, 2006, amending the October 1992 License Agreement and the December 1992 License Agreement</u>
+(29)	10.50	<u>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</u>
+(30)	10.51	<u>Exclusive License Agreement by and between Registrant (as successor to Triangle Pharmaceuticals, Inc.), Glaxo Group Limited, The Wellcome Foundation Limited, Glaxo Wellcome Inc. and Emory University, dated May 6, 1999</u>
+(31)	10.52	<u>Royalty Sale Agreement by and among Registrant, Emory University and Investors Trust &amp; Custodial Services (Ireland) Limited, solely in its capacity as Trustee of Royalty Pharma, dated July 18, 2005</u>
+(31)	10.53	<u>Amended and Restated License Agreement by and between Registrant, Emory University and Investors Trust &amp; Custodial Services (Ireland) Limited, solely in its capacity as Trustee of Royalty Pharma, dated July 21, 2005</u>
+(32)	10.54	<u>Amended and Restated EVG License Agreement by and between Japan Tobacco Inc. and Registrant, dated November 29, 2018</u>
+(32)	10.55	<u>Master Agreement by and between Registrant, Gilead Sciences K.K. and Japan Tobacco Inc., dated November 29, 2018</u>
+(33)	10.56	<u>Amended and Restated Collaboration Agreement by and among Registrant, Gilead Sciences Ireland UC (formerly Gilead Sciences Limited) and Janssen R&amp;D Ireland, dated December 23, 2014</u>
+(34)	10.57	<u>License Agreement by and among Kite Pharma, Inc., Cabaret Biotech Ltd. and Dr. Zelig Eshhar, dated December 12, 2013</u>
+(15)	10.58	<u>Option, License and Collaboration Agreement by and between Galapagos NV and Registrant, dated July 14, 2019</u>
	31.1**	<u>Certification of Chief Executive Officer, as required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended</u>



31.2**	<u>Certification of Chief Financial Officer, as required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended</u>
32***	<u>Certifications of Chief Executive Officer and Chief Financial Officer, as required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350)</u>
101.INS**	XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH**	Inline XBRL Taxonomy Extension Schema Document
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File, formatted in Inline XBRL (included as Exhibit 101)

- (1) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on September 14, 2020, and incorporated herein by reference.
- (2) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on May 9, 2019, and incorporated herein by reference.
- (3) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on April 1, 2011, and incorporated herein by reference.
- (4) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on December 13, 2011, and incorporated herein by reference.
- (5) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on March 7, 2014, and incorporated herein by reference.
- (6) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on November 17, 2014, and incorporated herein by reference.
- (7) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on September 14, 2015, and incorporated herein by reference.
- (8) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on September 20, 2016, and incorporated herein by reference.
- (9) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on September 30, 2020, and incorporated herein by reference.
- (10) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, and incorporated herein by reference.
- (11) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on May 12, 2017, and incorporated herein by reference.
- (12) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2020, and incorporated herein by reference.
- (13) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, and incorporated herein by reference.
- (14) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, and incorporated herein by reference.
- (15) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, and incorporated herein by reference.
- (16) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, and incorporated herein by reference.
- (17) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, and incorporated herein by reference.
- (18) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013, and incorporated herein by reference.
- (19) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, and incorporated herein by reference.
- (20) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, and incorporated herein by reference.
- (21) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on May 8, 2015, and incorporated herein by reference.
- (22) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, and incorporated herein by reference.
- (23) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on December 10, 2018, and incorporated herein by reference.
- (24) Filed as an exhibit to Registrant's Registration Statement on Form S-1 (No. 33-55680), as amended, and incorporated herein by reference.
- (25) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, and incorporated herein by reference.
- (26) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 1994, and incorporated herein by reference.
- (27) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, and incorporated herein by reference.
- (28) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006, and incorporated herein by reference.
- (29) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, and incorporated herein by reference.
- (30) Filed as an exhibit to Triangle Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q/A filed on November 3, 1999, and incorporated herein by reference.
- (31) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, and incorporated herein by reference.
- (32) Filed as an exhibit to Registrant's Amendment No. 1 to Annual Report on Form 10-K/A filed on April 18, 2019, and incorporated herein by reference.
- (33) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, and incorporated herein by reference.
- (34) Filed as an exhibit to Kite Pharma, Inc.'s Registration Statement on Form S-1/A (No. 333-196081) filed on June 17, 2014, and incorporated herein by reference.

\* Management contract or compensatory plan or arrangement.

\*\* Filed herewith.

\*\*\* Furnished herewith.

+ Certain confidential portions of this Exhibit were omitted by means of marking such portions with an asterisk (the Mark). This Exhibit has been filed separately with the Secretary of the Securities and Exchange Commission without the Mark pursuant to Registrant's Application Requesting Confidential Treatment under Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

++ Certain confidential portions of this Exhibit were omitted by means of marking such portions with the Mark because the identified confidential portions are (i) not material and (ii) would be competitively harmful if publicly disclosed.

## 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: May 6, 2021

/s/ DANIEL P. O'DAY

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**Daniel P. O'Day**  
**Chairman and Chief Executive Officer**  
**(Principal Executive Officer)**

Date: May 6, 2021

/s/ ANDREW D. DICKINSON

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**Andrew D. Dickinson**  
**Chief Financial Officer**  
**(Principal Financial Officer)**