

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2023

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. 000-19731

GILEAD SCIENCES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

94-3047598

(State or Other Jurisdiction of Incorporation or Organization)

(IRS Employer Identification No.)

333 Lakeside Drive, Foster City, California 94404

(Address of Principal Executive Offices, Including Zip Code)

650 - 574-3000

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Exchange 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

Securities registered pursuant to Section 12(g) of the Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant based upon the closing price of its Common Stock on the Nasdaq Global Select Market on June 30, 2023 was \$ 67.0 billion.*

The number of shares outstanding of the registrant's Common Stock on February 16, 2024 was 1,245,774,616 .

DOCUMENTS INCORPORATED BY REFERENCE

Specified portions of the registrant's proxy statement, which will be filed with the Commission pursuant to Regulation 14A in connection with the registrant's 2024 Annual Meeting of Stockholders are incorporated by reference into Part III of this Report.

* Based on a closing price of \$77.07 per share on June 30, 2023. Excludes 376,696,796 shares of the registrant's Common Stock held by executive officers, directors and any stockholders whose ownership exceeds 5% of the registrant's common stock outstanding at June 30, 2023. Exclusion of such shares should not be construed to indicate that any such person possesses the power, direct or indirect, to direct or cause the direction of the management or policies of the registrant or that such person is controlled by or under common control with the registrant.

GILEAD SCIENCES, INC.
2023 FORM 10-K ANNUAL REPORT
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SIGNATURES

We own or have rights to various trademarks, copyrights and trade names used in our business, including the following: GILEAD®, GILEAD SCIENCES®, KITE™, AMBISOME®, ATRIPLA®, BIKTARVY®, CAYSTON®, COMPLERA®, DESCovy®, DESCovy FOR PREP®, EMTRIVA®, EPCLUSA®, EVIPLERA®, GENVOYA®, HARVONI®, HEPCLUDEX®, HEPSCERA®, JYSELECA®, LETAIRIS®, ODEFSEY®, SOVALDI®, STRIBILD®, SUNLENCA®, TECARTUS®, TRODELVY®, TRUVADA®, TRUVADA FOR PREP®, TYBOST®, VEKLURY®, VEMLIDY®, VIREAD®, VOSEVI®, YESCARTA® and ZYDELIG®. Other trademarks and trade names are the property of their respective owners.

Certain amounts and percentages in this Annual Report on Form 10-K may not sum or recalculate due to rounding.

This Annual Report on Form 10-K, including Part I, Item 1A. Risk Factors and Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, 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. Words such as "expect," "anticipate," "target," "goal," "project," "hope," "intend," "plan," "believe," "seek," "estimate," "continue," "may," "could," "should," "might," "forecast," 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; plans and expectations with respect to products, product candidates, corporate strategy, business and operations, financial projections and the use of capital; expectations regarding any impairment charges related to our Phase 3 EVOKE-01 study; collaboration and licensing arrangements; patent protection and estimated loss of exclusivity for our products and product candidates; ongoing litigation and investigation matters; 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 in Part I, Item 1A. Risk Factors of this Annual Report on Form 10-K. 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 U.S. 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 under Part I, Item 1A. Risk Factors of this Annual Report on Form 10-K. Any of the risks contained herein could materially and adversely affect our business, results of operations and financial condition.

PART I

ITEM 1. BUSINESS

Gilead Sciences, Inc. (including its consolidated subsidiaries, referred to as "Gilead," the "company," "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, coronavirus disease 2019 ("COVID-19") and cancer. We operate in more than 35 countries worldwide, with headquarters in Foster City, California.

Our Business

Products

We have transformed care for people around the world by discovering, developing and delivering innovative medicines to address unmet medical needs in virology, oncology and other therapeutic areas. Our innovative medicines represent advancements by offering first-in-class therapies, greater efficacy, enhanced modes of delivery, more convenient treatment and prevention regimens, improved resistance profiles and reduced side effects.

In 2023, our primary revenue-generating products and the approved indications in the U.S. were as follows:

HIV

- **Biktarvy®** is an oral formulation dosed once a day for the treatment of HIV-1 infection in certain patients. Biktarvy is a single-tablet regimen of a fixed-dose combination of our antiretroviral medications, bictegravir, emtricitabine ("FTC") and tenofovir alafenamide ("TAF").
- **Genvoya®** is an oral formulation dosed once a day for the treatment of HIV-1 infection in certain patients. Genvoya is a single-tablet regimen of a fixed-dose combination of our antiretroviral medications, elvitegravir, cobicistat, FTC and TAF.
- **Descovy®** is an oral formulation indicated in combination with other antiretroviral agents for the treatment of HIV-1 infection in certain patients. Descovy is a fixed-dose combination of our antiretroviral medications, FTC and TAF. Descovy is also approved by U.S. Food and Drug Administration ("FDA") for a pre-exposure prophylaxis ("PrEP") indication to reduce the risk of sexually acquired HIV-1 infection in certain at-risk patients.
- **Odefsey®** is an oral formulation dosed once a day for the treatment of HIV-1 infection in certain patients. Odefsey is a single-tablet regimen of a fixed-dose combination of our antiretroviral medications, FTC and TAF, and rilpivirine marketed by Janssen Sciences Ireland Unlimited Company, one of the Janssen Pharmaceutical Companies of Johnson & Johnson ("Janssen").
- **Complera®/Eviplera®** is an oral formulation dosed once a day for the treatment of HIV-1 infection in certain patients. The product, marketed in the U.S. as Complera and in Europe as Eviplera, is a single-tablet regimen of a fixed-dose combination of our antiretroviral medications, tenofovir disoproxil fumarate ("TDF") and FTC, and Janssen's rilpivirine hydrochloride.
- **Truvada®** is an oral formulation indicated in combination with other antiretroviral agents for the treatment of HIV-1 infection in certain patients. Truvada is a fixed-dose combination of our antiretroviral medications, TDF and FTC. Truvada is also approved by FDA for a PrEP indication to reduce the risk of sexually acquired HIV-1 infection in certain at-risk patients.
- **Stribild®** is an oral formulation dosed once a day for the treatment of HIV-1 infection in certain patients. Stribild is a single-tablet regimen of a fixed-dose combination of our antiretroviral medications, elvitegravir, cobicistat, TDF and FTC.
- **Sunlenca®** is an HIV-1 capsid inhibitor in tablet form for oral use and as an injection for subcutaneous use. Sunlenca, in combination with other antiretroviral(s), is indicated as a twice-yearly treatment of HIV-1 infection in heavily treatment-experienced adults with multidrug resistant HIV-1 infection failing their current antiretroviral regimen due to resistance, intolerance or safety considerations.

COVID-19

- **Veklury®** (remdesivir), an injection for intravenous use, is a nucleotide analog RNA polymerase inhibitor indicated for the treatment of COVID-19 in certain adults and pediatric patients (28 days of age and older and weighing at least 3 kg) who are (i) hospitalized or (ii) not hospitalized and have mild-to-moderate COVID-19, and are at high risk for progression to severe COVID-19, including hospitalization or death.

Viral Hepatitis

- **Epclusa®** is an oral formulation of a once-daily single-tablet regimen of sofosbuvir and velpatasvir for the treatment of chronic hepatitis C virus ("HCV") infection in adults and pediatric patients 3 years of age and older with genotype 1, 2, 3, 4, 5 or 6: (i) without cirrhosis or with compensated cirrhosis or (ii) with decompensated cirrhosis for use in combination with ribavirin. In addition, we have an authorized generic version of Epclusa distributed by our separate subsidiary, Asegua Therapeutics LLC.
- **Vemlidy®** is an oral formulation of TAF dosed once a day for the treatment of chronic hepatitis B virus ("HBV") infection in adults and pediatric patients 12 years of age and older with compensated liver disease.
- **Harvoni®** is an oral formulation of a once-daily, single-tablet regimen of ledipasvir and sofosbuvir for the treatment of chronic HCV infection in adults and pediatric patients 3 years of age and older with: (i) genotype 1, 4, 5 or 6 without cirrhosis or with compensated cirrhosis, (ii) genotype 1 with decompensated cirrhosis, in combination with ribavirin, (iii) genotype 1 or 4 who are liver transplant recipients without cirrhosis or with compensated cirrhosis, in combination with ribavirin. In addition, we have an authorized generic version of Harvoni distributed by our separate subsidiary, Asegua Therapeutics LLC.
- **Viread®** is an oral formulation of TDF dosed once a day for the treatment of chronic HBV infection in adults and pediatric patients 2 years of age and older and weighing at least 10 kg.

Oncology

- **Yescarta®** (axicabtagene ciloleucel), a suspension for intravenous infusion, is a chimeric antigen receptor ("CAR") T-cell therapy for the treatment of adult patients with (i) large B-cell lymphoma ("LBCL") that is refractory to first-line chemoimmunotherapy or that relapses within 12 months of first-line chemoimmunotherapy, (ii) relapsed or refractory LBCL after two or more lines of systemic therapy, including diffuse LBCL ("DLBCL") not otherwise specified, primary mediastinal LBCL, high-grade B-cell lymphoma and DLBCL arising from follicular lymphoma ("FL") and (iii) relapsed or refractory FL after two or more lines of systemic therapy.⁽¹⁾
- **Trodelvy®** (sacituzumab govitecan-hziy), an injection for intravenous use, is a Trop-2 directed antibody and topoisomerase inhibitor conjugate indicated for the treatment of adult patients with (i) unresectable locally advanced or metastatic triple-negative breast cancer ("TNBC") who have received two or more prior systemic therapies, at least one of them for metastatic disease, (ii) unresectable locally advanced or metastatic hormone receptor-positive, human epidermal growth factor receptor 2-negative ("HR+/HER2-") breast cancer who have received endocrine-based therapy and at least two additional systemic therapies in the metastatic setting and (iii) locally advanced or metastatic urothelial cancer ("UC") who have previously received a platinum-containing chemotherapy and either programmed death receptor-1 ("PD-1") or programmed death-ligand 1 ("PD-L1") inhibitor.⁽¹⁾
- **Tecartus®** (brexucabtagene autoleucel), a suspension for intravenous infusion, is a CAR T-cell therapy for the treatment of adult patients with (i) relapsed or refractory mantle cell lymphoma ("MCL")⁽¹⁾ and (ii) relapsed or refractory B-cell precursor acute lymphoblastic leukemia ("ALL").

⁽¹⁾ This indication is approved under accelerated approval by FDA, and continued approval for this indication may be contingent upon verification and description of clinical benefit in confirmatory trials.

Other

- **AmBisome®** (amphotericin B liposome for injection) is a proprietary liposomal formulation of amphotericin B, an antifungal agent, for the treatment of serious invasive fungal infections caused by various fungal species in adults.
- **Letairis®** (ambrisentan) is an oral formulation of an endothelin receptor antagonist for the treatment of pulmonary arterial hypertension ("PAH") (WHO Group I) (i) to improve exercise capacity and delay clinical worsening or (ii) in combination with tadalafil to reduce the risks of disease progression and hospitalization for worsening PAH, and to improve exercise ability.

For the disaggregated revenue amounts contributed by the products listed above as well as the total product sales that include our other approved products, see Note 2. Revenues of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Revenue Share and Other Revenues

We also generate revenues from other activities, including revenue share from combination products, royalties for outbound licenses of our intellectual property and other payments received from our collaborations with third-party partners. For example, pursuant to our collaboration with Janssen, we receive revenue share from cobicistat, FTC and TAF that are components of Syntuza (darunavir/cobicistat/FTC/TAF), a fixed-dose combination product commercialized by Janssen. We include our revenue share from Syntuza in our Product sales. For a description of our collaborations with Janssen and other partners, see Note 7. Collaborations and Other Arrangements of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Commercialization and Distribution

We have U.S. and international commercial sales operations, with marketing subsidiaries in more than 35 countries. Our products are marketed through our commercial teams and/or in conjunction with third-party distributors and corporate partners. Our commercial teams promote our products through direct field contact with physicians, hospitals, clinics and other healthcare providers. We generally grant our third-party distributors the exclusive right to promote our product in a territory for a specified period of time. Most of our agreements with these distributors provide for collaborative efforts between the distributor and Gilead in obtaining and maintaining regulatory approval for the product in the specified territory.

We sell and distribute most of our products in the U.S. exclusively through the wholesale channel. During the year ended December 31, 2023, approximately 91% of our product sales in the U.S. and approximately 66% of our total worldwide revenues were from three large wholesalers: Cencora, Inc. (formerly known as AmerisourceBergen Corporation), Cardinal Health, Inc. and McKesson Corporation. We sell and distribute our products in Europe and countries outside the U.S. where the product is approved, either through our commercial teams, third-party distributors or corporate partners.

Competition

We operate in a highly competitive environment. Our products compete with other commercially 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. We also face significant competition as third parties pursue the development of products and technologies that may be competitive with our existing products or research programs. These third parties 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. In addition, as our products mature, pricing pressures from private insurers and government payers often result in a reduction of the net product prices. Further, as new branded or generic products are introduced into major markets, our ability to maintain pricing and market share may be affected.

Research and Development

Our research and development ("R&D") mission is to discover and develop transformational therapies in areas of high unmet medical need. Our product development efforts are focused primarily on viral diseases, oncology and inflammatory diseases. Our team of research scientists is engaged in the discovery and development of new molecules and technologies that we hope will lead to the approval of innovative medicines and therapies that will transform care for people around the world. We have committed significant resources to internal R&D opportunities and external business development activity to drive innovation and growth of our business.

The development of product candidates and investigational therapies in our pipeline is subject to various risks and uncertainties that could result in delays or prevent completion of the development and approval of our product candidates. For more information about these risks and uncertainties, see Item 1A. Risk Factors "We face risks in our clinical trials, including the potential for unfavorable results, delays in anticipated timelines and disruption." Drug development is inherently risky, and many product candidates and investigational therapies fail during the development process.

In 2023, we continued to invest in and advance our R&D pipeline across our therapeutic areas. Below is a summary of our product candidates that are in Phase 3 clinical trials or pending marketing authorization review by FDA or European Medicines Agency ("EMA").

Product Candidates in Viral Diseases

Product Candidates	Description
Regulatory Filings	
Bulevirtide	A Biologics License Application has been filed with FDA for bulevirtide for the treatment of chronic hepatitis delta virus ("HDV") infection. It has been granted both Orphan Drug and Breakthrough Therapy designations by FDA for this indication. Approval is pending resolution of certain manufacturing and delivery concerns cited in a complete response letter issued by FDA in October 2022.
Phase 3	
Lenacapavir	Lenacapavir is being evaluated for an HIV PrEP indication.

Product Candidates in Oncology

Product Candidates	Description
Phase 3	
Axicabtagene ciloleucel	Axicabtagene ciloleucel, a CAR T-cell therapy, is being evaluated as (i) a second-line and later treatment for high-risk FL and (ii) a first-line treatment for high risk LBCL.
Sacituzumab govitecan-hziy	In breast cancer, sacituzumab govitecan-hziy is being evaluated as (i) a first-line treatment for PD-L1 negative metastatic TNBC and (ii) HR+/HER2- chemo-naive metastatic breast cancer. In collaboration with Merck Sharpe & Dohme LLC ("Merck"), ⁽¹⁾ it is also being evaluated in combination with Merck's pembrolizumab as (i) a first-line treatment for PD-L1 positive metastatic TNBC and (ii) an adjuvant treatment for early TNBC. In lung and thoracic cancer, sacituzumab govitecan-hziy is being evaluated as a second- or third-line treatment for non-small cell lung cancer ("NSCLC"). It is also being evaluated in combination with Merck's pembrolizumab as a first-line treatment for PD-L1 positive NSCLC. In genitourinary cancer, sacituzumab govitecan-hziy is being evaluated as a second-line treatment for metastatic UC. FDA granted accelerated approval for Trodelyv in second-line metastatic UC in April 2021.
Domvanalimab and zimberelimab	In collaboration with Arcus Biosciences, Inc. ("Arcus"), ⁽¹⁾ the combination of zimberelimab, an anti-PD-1 monoclonal antibody, and domvanalimab, an Fc-silent anti-TIGIT antibody, with chemotherapy is being evaluated as (i) a first-line treatment for NSCLC and (ii) a first-line treatment for upper gastrointestinal tract cancer. In collaboration with Arcus, ⁽¹⁾ the combination of zimberelimab and domvanalimab is being evaluated as a first-line treatment for NSCLC. In January 2024, we announced discontinuation of further enrollment in this study.

⁽¹⁾ For additional information regarding our collaborations with Merck and Arcus, see Note 7. Collaborations and Other Arrangements of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

In 2023, we also received regulatory approvals or authorizations from FDA and European Commission ("EC") for new products and expanded indications of our products, including:

Product	Regulatory Approval or Authorization
Veklury	FDA and EC approved an expanded use of Veklury to treat COVID-19 in appropriate patients with mild to severe hepatic impairment as well as people with severe renal impairment, including those on dialysis.
Hepcludex	EC granted full marketing authorization for Hepcludex for the treatment of adults with HDV and compensated liver disease. Hepcludex was initially granted conditional marketing authorization in July 2020. Bulevirtide remains the only approved treatment for HDV in the European Union ("EU") and is not approved in the U.S.
Yescarta	FDA approved a label update to Yescarta to include overall survival data from the Phase 3 ZUMA-7 study, which showed a statistically significant overall survival improvement for Yescarta in second-line relapsed or refractory LBCL versus standard of care.
Trodelyv	FDA approved Trodelyv for the treatment of unresectable locally advanced or metastatic HR+/HER2- breast cancer who have received endocrine-based therapy and at least two additional systemic therapies in the metastatic setting. EC approved Trodelyv as monotherapy for the treatment of adult patients with unresectable or metastatic HR+/HER2- breast cancer who have received endocrine-based therapy and at least two additional systemic therapies in the advanced setting.

In addition, we seek to enhance our commercial portfolio and clinical pipeline across multiple therapeutic areas through strategic collaborations, in-licensing and acquisitions. In 2023, we entered into multiple strategic transactions spanning our work in virology, oncology and inflammation, including:

- We entered into new strategic collaborations, including with (i) Assembly Biosciences, Inc. to advance the research and development of novel antiviral therapies, including for herpesviruses, HBV and HDV; (ii) Tentarix Biotherapeutics, Inc. ("Tentarix") to discover and develop novel therapies across oncology and inflammation using Tentarix's proprietary Tentacles platform; and (iii) Arcellx, Inc. ("Arcellx") to co-develop and co-commercialize Arcellx's CART-ddBCMA for the treatment of relapsed or refractory multiple myeloma.

- We expanded our existing collaborations with (i) Arcellx to exercise an option for the ARC-SparX ACLX-001 program in multiple myeloma, expand the scope of the existing anito-cel collaboration to include lymphomas, and make an additional equity investment of \$200 million; (ii) Arcus to include research programs in inflammatory diseases; and (iii) Nurix Therapeutics, Inc. to exercise an option to license investigational targeted protein degrader molecule NX-0479, which has potential applications in the treatment of rheumatoid arthritis and other inflammatory diseases.
- We entered into an exclusive license agreement with Compugen Ltd. for later-stage development and commercialization of novel pre-clinical anti-IL18 binding protein antibodies, including COM503, that have the potential to treat various tumor types.
- We completed the acquisitions of (i) XinThera, Inc. to add additional early pipeline assets in oncology and inflammation, including rights to a portfolio of small molecule inhibitors targeting PARP1 for oncology as well as mK2 for inflammatory diseases; and (ii) Tmunity Therapeutics, Inc. to add next-generation CAR T-cell therapies and technologies, including an “armored” CAR T technology platform that has the potential to enhance anti-tumor activity and rapid manufacturing processes.

Our strategic business development activity reflects our commitment to focus on transformative science, build a sustainable and diverse portfolio and position ourselves for the near-, medium- and long-term growth of our business.

Patents and Proprietary Rights

U.S. and European Patent Expiration

We have a number of U.S. and foreign patents, patent applications and rights to patents related to our compounds, products and technology, but we cannot be certain that issued patents will be enforceable or provide adequate protection or that pending patent applications will result in issued patents.

The following table shows the estimated expiration dates (including patent term extensions, supplementary protection certificates and/or pediatric exclusivity where granted) in the U.S. and the EU for the primary (typically compound) patents for our key product candidates as described above. For our product candidates that are fixed-dose combinations of single-tablet regimens, the estimated patent expiration date provided corresponds to the latest expiring compound patent for one of the active ingredients in the single-tablet regimen.

	Key Product Candidates	Patent Expiration	
		U.S.	EU
Viral Diseases:			
Lenacapavir		2037	2037
Bulevirtide		2030	2029
Oncology:			
Axicabtagene ciloleucel		2031	— (1)
Sacituzumab govitecan-hziy		2028 (2)	2029
Zimberelimab ⁽³⁾		2036	(2036) (4)
Domvanalimab ⁽³⁾		2037	(2037) (4)

The listed expiration dates do not include any potential additional exclusivity (e.g., patent term extensions, supplementary protection certificates or pediatric exclusivity) that has not yet been granted.

⁽¹⁾ The composition of matter patent has expired in the EU. In the EU and the U.S., patent applications are pending relating to our proprietary manufacturing processes.

⁽²⁾ Regulatory exclusivity in the U.S. expires in 2032.

⁽³⁾ In collaboration with Arcus.

⁽⁴⁾ Dates in parentheses reflect the estimated expiration date of patents that may be issued from currently pending applications.

The following table shows the actual or estimated expiration dates (including patent term extensions, supplementary protection certificates and/or pediatric exclusivity where granted) in the U.S. and the EU for the primary (typically compound) patents for our principal products. For our products that are fixed-dose combinations or single-tablet regimens, the estimated patent expiration dates provided correspond to the latest expiring compound patent for one of the active ingredients in the single-tablet regimen.

Products	Patent Expiration ⁽¹⁾	
	U.S.	EU
Descovy	2031	(2)
Vemlidy	2031	(2)
Complera/Eviplerा	2025	2026
Zydelig	2025	2029
Odefsey	2032	(2)
Yescarta	2031	— (3)
Stribild	2029	(4)
Genvoya	2029	(4)
Harvoni	2030	2030
Epclusa	2033	2032
Biktarvy	2033	2033
Vosevi	2034	2033
Veklury	2036	(5)
Tecartus	2027	— (3)
Trodelvy	2028	(6)
Hepcludex	2030	2029
Sulenca	2037	2037

The listed expiration dates do not include any potential additional exclusivity (e.g., patent term extensions, supplementary protection certificates or pediatric exclusivity) that has not yet been granted.

⁽¹⁾ Where applicable, settlement and license agreements with generic manufacturers relating to the patents that protect our principal products are noted. The nature and timing of loss of exclusivity for these products depends on a multitude of factors, and loss of exclusivity may be earlier under certain circumstances. For more information, see Item 1A. Risk Factors "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."

⁽²⁾ In September 2022, Gilead and five generic manufacturers (Lupin Ltd., Apotex Inc., Macleods Pharma Ltd., Hetero Labs Ltd., and Cipla Ltd.) reached agreements to settle the U.S. patent litigation concerning patents that protect TAF in our Descovy, Vemlidy and Odefsey products.

⁽³⁾ The composition of matter patent has expired in the EU. In the EU and the U.S., patent applications are pending relating to our proprietary manufacturing processes.

⁽⁴⁾ In 2018, Gilead and Mylan Pharmaceuticals reached an agreement to settle the patent litigation concerning patents that protect cobicistat in our Stribild and Genvoya products.

⁽⁵⁾ In January 2024, FDA granted pediatric exclusivity for Veklury, which extends all non-expired exclusivities by six months, and which is reflected in the presently reported date.

⁽⁶⁾ Regulatory exclusivity in the U.S. expires in 2032.

Patent Protection and Certain Challenges

Patents and other proprietary rights are very important to our business. If we have a properly drafted and enforceable patent, it can be more difficult for our competitors to use our technology to create competitive products and more difficult for our competitors to obtain a patent that prevents us from using technology we create. As part of our business strategy, we actively seek patent protection both in the U.S. and internationally and file additional patent applications, when appropriate, to cover improvements in our compounds, products and technology.

Patents covering certain of the active pharmaceutical ingredients ("API") of some of our products are held by third parties. We acquired exclusive rights to these patents in the agreements we have with these parties.

We may obtain patents for certain products many years before marketing approval is obtained. As a result, the commercial value of the patent may be limited because the patent term is based on the date the patent application was filed, which may be prior to the regulatory approval and commercial sale of the related product. However, we may be able to apply for patent term extensions or supplementary protection certificates in some countries. For example, extensions for the patents or supplementary protection certificates on many of our products have been granted in the U.S. and in a number of European countries, compensating in part for delays in obtaining marketing approval. Similar patent term extensions may be available for other products we are developing, but we cannot be certain we will obtain them in some countries.

It is also important that we do not infringe the valid patents of third parties. If we infringe the valid patents of third parties, our reputation may be harmed and we may be required to pay significant monetary damages, we may be prevented from commercializing products or we may be required to obtain licenses from these third parties. We may not be able to obtain alternative technologies or any required license on reasonable terms or at all. If we fail to obtain these licenses or alternative technologies, we may be unable to develop or commercialize some or all of our products. For example, we are aware of patents and patent applications owned by other parties that such parties may claim to cover the use of our products and research activities.

Because patent applications are confidential for a period of time after filing, we may not know if our competitors have filed 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. Competitors may have filed patent applications or received patents and proprietary rights that block or compete with our products. In addition, 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.

Patents relating to pharmaceutical, biopharmaceutical and biotechnology products, compounds and processes such as those that cover our existing compounds, products and processes and those that we will likely file in the future, do not always provide complete or adequate protection. Filing patent applications is a fact-intensive and complex process. We may file patent applications that ultimately do not result in patents or have patents that do not provide adequate protection for the related product. Future litigation or other proceedings regarding the enforcement or validity of our existing patents or any future patents could result in the invalidation of our patents or substantially reduce their protection. From time to time, certain individuals or entities may challenge our patents.

Our pending patent applications and the patent applications filed by our collaborative partners may not be able to prevent third parties from developing compounds or products that are closely related to those which we have developed or are developing. In addition, certain countries do not provide effective enforcement of our patents, and third-party manufacturers may be able to sell generic versions of our products in those countries.

We may face criticism as a result of our legitimate use of the patent systems to protect our investments in new and useful innovations in medicine. Further, incentives and exclusivities relating to our products and product candidates may change in the future. We are aware that several countries are considering changes to support sharing how to make and use new inventions that could impact the current patent systems and protections for innovation. Any such changes could also impact the voluntary licensing patent programs that we establish for our products to support access to medicines.

For a description of our significant pending legal proceedings, see Note 13. Commitments and Contingencies of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K. See also Item 1A. Risk Factors "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."

Trade Secrets

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. These agreements provide that all confidential information developed or made known to an individual during the course of their relationship with us will be kept confidential and will not be used or disclosed to third parties except in specified circumstances. In the case of employees, the agreements provide that all inventions made by an individual while employed by us will be our exclusive property. 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 partners and in other cases become the exclusive property of one party. In certain circumstances, it can be difficult to determine who owns a particular invention and disputes could arise regarding those inventions. If our trade secrets or confidential information become known or independently discovered by competitors, or if we enter into disputes over ownership of inventions, our business and results of operations could be adversely affected.

Manufacturing and Raw Materials

Our products are manufactured either at our own facilities or by third-party contract manufacturers. We depend on third parties to perform manufacturing activities for the majority of our API and drug products. For most of our products, including our HIV and HCV products, we use multiple third-party contract manufacturers so that we have primary and back-up suppliers and manufacturing sites. For our cell therapy products, we have established clinical and commercial manufacturing facilities for cell processing activities. For our future products, we continue to develop additional manufacturing capabilities and establish additional third-party suppliers to manufacture sufficient quantities of our product candidates to undertake clinical trials and to manufacture sufficient quantities of any product that is approved for commercial sale.

Our Manufacturing Facilities

We own or lease manufacturing facilities to manufacture and distribute certain products and API for clinical and/or commercial uses. As of the end of 2023, these facilities include:

- Foster City, California: We conduct process chemistry research, analytical method development and formulation and device development activities, and manufacture API and drug product for our clinical trials.
- La Verne, California: We manufacture AmBisome and also package and label the majority of our commercial products for distribution to the Americas and the Pacific Rim. We also utilize the La Verne facility for clinical manufacturing of our sterile drug products.
- Oceanside, California: We utilize the facility for commercial retroviral vector manufacturing and clinical manufacturing and process development of our biologics candidates.
- El Segundo, California: We utilize the facility for clinical and commercial manufacturing and processing of our cell therapy products.
- Santa Monica, California: We utilize the facility for clinical manufacturing and processing of our cell therapy products.
- Frederick, Maryland: We utilize the facility for clinical and commercial manufacturing and processing of our cell therapy products.
- Cork and Dublin, Ireland: We utilize the Cork facility for commercial manufacturing, packaging and labeling of our products. We also perform quality control testing, labeling, packaging and final release of many of our products at the Cork facility, which are distributed to the EU and other international markets through our facility in Dublin.
- Edmonton, Canada: We conduct process chemistry research and scale-up activities for our clinical development candidates, manufacture API for both investigational and commercial products and conduct chemical development activities to improve existing commercial manufacturing processes.
- Hoofddorp, Netherlands: We utilize the facility for commercial manufacturing and processing of our cell therapy products.

Third-Party Manufacturers

We believe the technology we use to manufacture our products is proprietary. For products manufactured by our third-party contract manufacturers, we have disclosed all necessary aspects of this technology to enable them to manufacture the products for us. We have agreements with these third-party manufacturers that are intended to restrict them from using or revealing this technology, but we cannot be certain that these third-party manufacturers will comply with these restrictions.

For more information about our third-party manufacturers, see Item 1A. Risk Factors "We may face manufacturing difficulties, delays or interruptions, including at our third-party manufacturers and corporate partners."

Regulation of Manufacturing Process

The manufacturing process for pharmaceutical products is highly regulated and regulators may shut down manufacturing facilities that they observe are not complying with regulations. We, our third-party manufacturers and our corporate partners are subject to current Good Manufacturing Practices ("GMP"), which are extensive regulations governing manufacturing processes, stability testing, record keeping and quality standards as defined by FDA and EMA. Similar regulations are in effect in other jurisdictions. Our manufacturing operations are subject to routine inspections by regulatory agencies.

For our cell therapy products, we are required by FDA to comply with the Risk Evaluation and Mitigation Strategy program, which includes educating and certifying medical personnel regarding the therapy procedures and the potential side effect profile of our therapy, such as the potential adverse side effects related to cytokine release syndrome and neurologic toxicities. Additionally, we are required to maintain a complex chain of identity and custody with respect to patient material as such material moves to the manufacturing facilities, through the manufacturing process, and back to the patient.

Access to Raw Materials

We need access to certain raw materials to conduct our clinical trials and manufacture our products. These raw materials are generally available from multiple sources, purchased worldwide and normally available in quantities adequate to meet the needs of our business. We attempt to manage the risks associated with our supply chain by inventory management, relationship management and evaluation of alternative sources when feasible. For more information, see Item 1A. Risk Factors "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."

Human Capital

Gilead's success depends on the work of its dedicated employees who embrace a shared sense of purpose and a culture of excellence. Our human capital objective is to make Gilead an employer of choice for the best talent in our industry. Gilead's key priorities for human capital management include inclusion and diversity, health and safety, total rewards, employee development and engagement. The Compensation and Talent Committee of our Board of Directors oversees our overall human capital management.

Inclusion & Diversity

Inclusion is a Gilead core value, and we believe building an inclusive and diverse workforce is critical to enabling Gilead's mission. Our Global Inclusion and Diversity Council is responsible for governance of these matters, tracking progress on our goals and promoting a culture of inclusion. The Global Inclusion and Diversity Council is chaired by our Chairman and Chief Executive Officer ("CEO") and includes members of our leadership team. Gilead is an equal opportunity employer and is committed to inclusive practices, creating internal and external pipelines for diverse talent, as well as building awareness, capabilities and accountability among our people managers. In 2020, Gilead implemented multiple programs to train managers on inclusion and diversity topics and created strategies and initiatives focused on attracting, developing and retaining diverse talent and driving an inclusive culture in our workplace, which organizational leaders have been required to regularly review since 2021. In addition, our employee resource groups ("ERGs") support diverse employees and aim to raise awareness of different cultures within the workplace, cultivate diversity as a business strength and support Gilead's talent acquisition strategy to promote equal opportunities and to source, attract and recruit diverse candidates. Executive sponsors and leaders of our ERGs contribute to the advancement of our inclusion and diversity commitments through annual planning and collaborative efforts to support our communities inside and outside of Gilead.

We believe Gilead's inclusive and diverse workforce is the foundation for innovation and productivity. Gilead's commitment to equal employment opportunity furthers its efforts to cultivate and celebrate an equitable culture of belonging. As of December 31, 2023, Gilead had approximately 18,000 employees, and Gilead's global workforce was approximately 53% female. Additionally, women represented 36% of Gilead's leadership (defined as vice president level and above). In the U.S., based on our employees' voluntary self-identification, our workforce was 38% White, 37% Asian, 13% Hispanic, 8% Black and 3% Other.

Health, Safety and Productivity

Gilead is committed to providing a workplace for its employees that promotes health and wellbeing, safety and productivity. We provide a competitive benefits package to support the health and wellbeing of our employees — see "Total Rewards" below. We have a workplace safety, training and security program together with various compliance protocols designed to support the safety of our employees, and we routinely train and educate our employees on workplace safety and security. To promote employee productivity, we continue to address our employees' needs by providing meaningful benefits and a flexible approach to work arrangements. We believe our flexible work program positions us to be competitive for talent and support employee safety and wellbeing while also creating the collaborative environment and connections that fuel innovation. In 2023, in response to employee feedback, we also implemented multiple enterprise initiatives to address areas of opportunity to improve efficiency and remove barriers to speed of execution.

Total Rewards

Gilead's Total Rewards portfolio is designed to optimize our employees' performance and support their wellbeing, allowing them to focus on mission-critical work. Each year, we reassess our Total Rewards package to confirm whether it offers benefits and incentives that align with our total rewards philosophy. Our portfolio (which varies by country and is subject to employee eligibility requirements) includes but is not limited to:

- Competitive base salary
- Incentive compensation
- Stock awards
- Employee stock purchase plan
- 401(k) savings plan with a company match that vests immediately
- Health and wellbeing benefits
- Flexible work arrangements
- Flexible spending accounts
- Paid time off
- Paid family leave
- Family support services
- Family planning assistance (e.g., fertility, adoption and surrogacy)
- Health care navigation for our LGBTQ+ community
- Cancer support services
- Student loan repayment and tuition assistance
- Employee assistance programs
- Digital wellbeing platform
- Global wellbeing reimbursement

We are a pay-for-performance company and are committed to addressing pay equity. Our employee salaries are informed by market research and market-based ranges and are assessed annually through performance reviews. Our policy is that compensation decisions are made without regard to personal characteristics such as gender, race, color, national or ethnic origin, age, disability, sexual orientation, gender identity or expression, genetic information, religion, or veteran status. We also conduct an annual pay equity review of employee compensation in an effort to strive to make our pay practices gender- and race-neutral.

Employee Development and Engagement

Employee development and engagement maximizes the potential and performance of each member of our workforce and is critical to achieving our business goals. Gilead offers a number of internal and external professional, management and leadership development training programs to help our employees develop technical, cross-functional and leadership skills and tools to grow their careers. In 2023, we started a multi-year approach to support the development of all People Leaders at Gilead, recognizing the complexity and challenges of their roles and supporting the impact they can have on the growth and development of all employees. Approximately 1,700 people leaders started their development journey in 2023, with an additional 3,500 planned for 2024. In addition to internal development, employees can receive reimbursement for tuition expenses incurred while pursuing undergraduate, graduate or certificate courses at an accredited college or university.

As we strive to be the employer of choice in our industry, our listening strategy gathers input from our employees to shape our engagement strategies and programs and measure our progress. In addition to ongoing internal and external data collection and benchmarking, we conducted comprehensive reviews of the employee experience in 2022 and again in 2023, including through the use of employee surveys. The results of these surveys play a key role in determining the direction of our culture as well as the company's broader response to emerging developments.

Corporate Responsibility

Investing in corporate responsibility is core to our business strategy and reflects our values of accountability, inclusion, teamwork, excellence and integrity. This is in service to our mission to advance global health by providing innovative therapeutics in areas of unmet need in a way that is socially responsible and environmentally sustainable. Gilead's corporate responsibility programs reflect this commitment to our stakeholders. Environmental, social and governance ("ESG") strategy and performance are overseen by the Nominating and Corporate Governance Committee of our Board of Directors, and managed by a Corporate Responsibility Committee comprised of leaders from key departments across our company. The Corporate Responsibility Committee is responsible for reviewing ESG issues and, as appropriate, integrating them into our overall business strategy and operations. Additional information about this program and ESG highlights are available in Gilead's 2022 ESG Impact Report on Gilead's website at <https://www.gilead.com/-/media/files/pdfs/yir-2022-pdfs/2022-environmental-social-governance-impact-report.pdf>.

Our ESG goals are aspirational and may change. Statements regarding these goals and related initiatives are not guarantees or promises that they will be met.

Seasonality of Operations

Our worldwide product sales do not reflect any significant degree of seasonality in end-user demand. However, in the U.S., fluctuations in wholesaler inventory levels impact our product sales. In recent years, we have observed strong wholesaler and sub-wholesaler purchases of our products in the second half of the year, resulting in inventory draw-down by wholesalers and sub-wholesalers in the subsequent first quarter. Several other factors, including government budgets, annual grant cycles for federal and state funds, adverse changes in economic conditions, increased competition and other buying patterns, also could impact the product sales recorded in a particular quarter. For more information, see Item 1A. Risk Factors "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."

Government Regulation

Our operations and activities are subject to extensive regulation by numerous government authorities in the U.S., the EU and other countries, including laws and regulations governing the testing, manufacture, safety, efficacy, labeling, storage, record keeping, approval, advertising and promotion of our products. As a result of these regulations, product development and product approval processes are very expensive and time consuming, which has a significant impact on our capital expenditures and results of operations. The regulatory requirements applicable to drug development and approval are subject to change. Any legal and regulatory changes may impact our operations in the future.

A country's regulatory agency, such as FDA in the U.S. and EMA and EC in the EU, as well as the national authorities of the EU member states, must approve a drug before it can be sold in the respective country or countries. The general process for drug approval in the U.S. is summarized below. Many other countries, including countries in the EU (and the EU under a centralized procedure), have similar regulatory structures.

Preclinical Testing

Before we can test a drug candidate in humans, we must study the drug in laboratory experiments and in animals to generate data to support the drug candidate's potential benefits and safety. We submit this data to FDA in an Investigational New Drug ("IND") application seeking its approval to test the compound in humans.

Clinical Trials

If FDA accepts the IND, the drug candidate can then be studied in human clinical trials to determine if the drug candidate is safe and effective. These clinical trials involve three separate phases that often overlap, can take many years and are very expensive. These three phases, which are subject to considerable regulation, are as follows:

- Phase 1. The drug candidate is given to a small number of healthy human control subjects or patients suffering or at risk from the indicated disease, to test for safety, dose tolerance, pharmacokinetics, metabolism, distribution and excretion.
- Phase 2. The drug candidate is given to a limited patient population to determine the effect of the drug candidate in treating or preventing the disease, the best dose of the drug candidate, and the possible side effects and safety risks of the drug candidate. It is not uncommon for a drug candidate that appears promising in Phase 1 clinical trials to fail in the more rigorous and extensive Phase 2 clinical trials.
- Phase 3. If a drug candidate appears to be effective and have an appropriate safety profile in Phase 2 clinical trials, Phase 3 clinical trials are commenced to confirm those results. Phase 3 clinical trials are conducted over a longer term, involve a significantly larger population, are conducted at numerous sites in different geographic regions and are carefully designed to provide reliable and conclusive data regarding the safety and benefits of a drug candidate. It is not uncommon for a drug candidate that appears promising in Phase 2 clinical trials to fail in the more rigorous and extensive Phase 3 clinical trials.

FDA Approval Process

When we believe that the data from our clinical trials show an acceptable benefit-risk profile, we submit the appropriate filing, usually in the form of a New Drug Application, Biologics License Application or supplemental application, with FDA, seeking approval to sell the drug candidate for a particular use. At FDA's discretion, FDA may hold a public hearing where an independent advisory committee of expert advisors asks additional questions and makes recommendations regarding the drug candidate. This committee makes a recommendation to FDA that is not binding but is generally followed by FDA. If FDA agrees that the drug has met the required level of safety and efficacy for a particular use, it will approve the application and allow us to sell the drug in the U.S. for that use. It is not unusual, however, for FDA to decline to approve an application because it believes that the drug candidate is not safe enough or efficacious enough (i.e., does not have an appropriate benefit-risk profile) or because it does not believe that the data submitted is reliable or conclusive.

At any point in this process, the development of a drug candidate can be stopped for a number of reasons, including safety concerns, lack of treatment benefit or manufacturing issues. We cannot be certain that any clinical trials that we are currently conducting or any that we conduct in the future will be completed successfully or within any specified time period. We may choose, or FDA may require us, to delay or suspend our clinical trials at any time if it appears that patients are being exposed to an unacceptable health risk or if the drug candidate does not appear to have sufficient treatment benefit.

Even after approving a drug, FDA may also require Phase 4 non-registrational studies to explore scientific questions to further characterize safety and efficacy during commercial use of our drug. FDA may also require us to provide additional data or information, improve our manufacturing processes, procedures or facilities or may require extensive surveillance to monitor the safety or benefits of our product candidates if it determines that our filing does not contain adequate evidence of the safety and benefits of the drug. In addition, even if FDA approves a drug, it could limit the uses of the drug. FDA can withdraw approvals if it does not believe that we are complying with regulatory standards or if concerns about the safety or efficacy are uncovered or occur after approval.

In addition to obtaining FDA approval for each drug, we obtain FDA approval of the manufacturing facilities for any drug we sell, including those of companies who manufacture our drugs for us. All of these facilities are subject to periodic inspections by FDA. FDA must also approve foreign establishments that manufacture products to be sold in the U.S. and these facilities are subject to periodic regulatory inspection. Our manufacturing facilities located in California also must be licensed by the State of California in compliance with local regulatory requirements. Our manufacturing facilities in Canada, Ireland and Netherlands also must obtain local licenses and permits in compliance with local regulatory requirements.

FDA may employ one of several tools to facilitate and expedite the development and review of a drug, including Fast Track designation, Breakthrough Therapy designation, Accelerated Approval designation and Priority Review designation. Fast Track designation is designed to facilitate the development and review of a drug that treats a serious condition and fills an unmet medical need. Breakthrough Therapy designation is designed to expedite the development and review of a drug that treats a serious condition where preliminary clinical evidence demonstrates substantial improvement over available therapies. Accelerated Approval of a drug may be granted by FDA where the drug treats a serious condition, fills an unmet medical need and has been studied for safety and efficacy. Priority Review designation means FDA's goal is to take action on an application within six months of filing. FDA may grant Priority Review designation to a drug that would provide significant improvement in the safety or effectiveness of a treatment, diagnosis or prevention of a serious condition.

EU Regulatory System and Approval Process

In the EU, our products are subject to a variety of EU and EU member state regulations governing clinical trials, commercial sales and distribution. We are required to obtain a marketing authorization in the EU before we can market our medicinal products on the relevant market. The conduct of clinical trials in the EU is governed by, among others, Directive 2001/20/EC and Directive 2005/28/EC and the ICH Good Clinical Practice guidelines. These impose legal and regulatory obligations that are similar to those provided in applicable U.S. laws. The conduct of clinical trials in the EU must be approved by the competent authorities of each EU member states in which the clinical trials take place, and a positive opinion must be obtained from the relevant Ethics Committee in the relevant member state. In 2014, the EU legislator adopted Regulation (EU) No 536/2014 to replace Directive 2001/20/EC and to introduce a coordinated procedure for authorization of clinical trials. This Regulation entered into application in January 2022.

Marketing authorization holders, manufacturers, importers, wholesalers and distributors of medicinal products placed on the market in the EU are required to comply with a number of regulatory requirements including pharmacovigilance, GMP compliance and the requirement to obtain manufacturing, import and/or distribution licenses issued by the competent authorities of the EU member states. Failure to comply with these requirements may lead to the imposition of civil, criminal or administrative sanctions, including suspension of marketing or manufacturing authorizations.

Pricing and Reimbursement

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. In the U.S., the EU and other significant or potentially significant markets for our products and product candidates, government authorities and third-party payers are increasingly attempting to limit or regulate the price of medical products and services. A significant portion of our sales of the majority of our products are subject to substantial discounts from their list prices, including rebates we may be required to pay to Medicaid agencies or discounts we may be required to pay to covered entities under Section 340B of the Public Health Service Act ("340B"). As a result, the price increases we implement from time to time on certain products may have a limited effect on our net product sales in certain markets. In addition, standard reimbursement structures may not adequately reimburse for innovative therapies.

As our products mature, pricing pressures from private insurers and government payers often result in a reduction of the net product prices. Further, as new branded or generic products are introduced into major markets, our ability to maintain pricing and market share may be affected.

For more information, see Item 1A. Risk Factors “Our existing products are subject to reimbursement pressures from government agencies and other third parties, required rebates and discounts, and other pricing pressures” and “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.”

Health Care Fraud and Abuse Laws; Anti-Bribery Laws

We are subject to various U.S. federal and state laws pertaining to health care “fraud and abuse,” including anti-kickback laws and false claim laws. Anti-kickback laws make it illegal for a prescription drug manufacturer to knowingly and willingly solicit, offer, receive or pay any remuneration in exchange for, or to induce, the referral of business reimbursed by a federal healthcare program, including the purchase or prescription of a particular drug. False claims laws generally prohibit anyone from knowingly presenting, or causing to be presented, a false or fraudulent claim for payment by federal and certain state payers (including Medicare and Medicaid), or knowingly making, using or causing to be made or used, a false record or statement material to a false or fraudulent claim. In addition, FDA regulates written and verbal communications about our products. In addition to federal law, states also have consumer protection and false claims laws. Due to the breadth of the statutory provisions and the attention being given to them by law enforcement authorities, our sales, marketing, patient support, medical, clinical and public affairs activities may be subject to scrutiny under these laws. For example, recently there has been enhanced scrutiny by government enforcement authorities of company-sponsored patient assistance programs, including co-pay assistance programs and manufacturer donations to third-party charities that provide such assistance, reimbursement support offerings, clinical education programs and promotional speaker programs. Similarly, in Europe, interactions between pharmaceutical companies and physicians are subject to strict laws, regulations, industry self-regulation codes of conduct and physicians’ codes of professional conduct, as applicable, including the EU member states anti-corruption laws and the UK Bribery Act 2010.

In addition, the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business. Our policies mandate compliance with these anti-bribery laws. We operate in parts of the world that have experienced governmental corruption to some degree. In certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices or may require us to interact with doctors and hospitals, some of which may be state controlled, in a manner that is different than local custom.

Despite our training and compliance program, our internal control policies and procedures may not protect us from unlawful acts committed by our employees or agents. Violations of fraud and abuse laws or anti-bribery laws may be punishable by criminal and/or civil sanctions, including fines and civil monetary penalties, as well as the possibility of exclusion from federal health care programs (including Medicare and Medicaid). Violations can also lead to the imposition of a Corporate Integrity Agreement or similar government oversight program, even if we disagree with the government’s perspective that we have violated any rules or guidance. Any similar violations by our competitors could also negatively impact the reputation of our industry and increase governmental and public scrutiny over our business and our products.

For more information, see Item 1A. Risk Factors “We are impacted by evolving laws, regulations and legislative or regulatory actions applicable to the healthcare industry.”

Environment

We are subject to a number of laws and regulations that require compliance with federal, state, and local regulations for the protection of the environment. The regulatory landscape continues to evolve, and we anticipate additional regulations in the future. Laws and regulations are implemented and under consideration to mitigate the effects of climate change mainly caused by greenhouse gas emissions. Our business is not energy intensive. Therefore, we do not anticipate being subject to a cap and trade system or other mitigation measure that would materially impact our capital expenditures, operations or competitive position.

Other Information

We are subject to the information requirements of the Securities Exchange Act of 1934 (“Exchange Act”). Therefore, we file periodic reports, proxy and information statements and other information with U.S. Securities and Exchange Commission (“SEC”). SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers that file electronically with SEC.

Our website is www.gilead.com. Through a link on the "Investors" page of our website (under the "Financials - SEC Filings" section), we make available the following filings free of charge as soon as reasonably practicable after they are electronically filed with or furnished to SEC: our Annual Reports on Form 10-K; Quarterly Reports on Form 10-Q; Current Reports on Form 8-K; and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act.

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 Annual Report on Form 10-K.

Our Executive Officers and Directors

The following tables list our executive officers and directors as of the filing date of this Annual Report on Form 10-K:

Executive Officers

Name	Age	Position
Daniel P. O'Day	59	Chairman and Chief Executive Officer
Andrew D. Dickinson	54	Chief Financial Officer
Johanna Mercier	54	Chief Commercial Officer
Merdad V. Parsey, M.D., Ph.D.	61	Chief Medical Officer
Deborah H. Telman	59	Executive Vice President, Corporate Affairs and General Counsel

Directors

Name	Age	Principal Occupation or Employment
Daniel P. O'Day, Chairman	59	Chairman and Chief Executive Officer of Gilead Sciences, Inc.
Kevin E. Lofton, Lead Independent Director	69	Retired Chief Executive Officer, Common Spirit Health
Jacqueline K. Barton, Ph.D.	71	Professor Emerita, California Institute of Technology
Jeffrey A. Bluestone, Ph.D.	70	President and Chief Executive Officer, Sonoma Biotherapeutics, Inc.; Professor Emeritus, University of California San Francisco
Sandra J. Horning, M.D.	75	Retired Chief Medical Officer, Roche, Inc.
Kelly A. Kramer	56	Retired Chief Financial Officer, Cisco Systems, Inc.
Ted W. Love, M.D.	64	Chair of Board of Directors, Biotechnology Innovation Organization
Harish Manwani	70	Senior Operating Partner, Blackstone Inc.; Retired Chief Operating Officer, Unilever Group
Javier J. Rodriguez	53	Chief Executive Officer, DaVita Inc.
Anthony Welters	68	Chairman and Chief Executive Officer, CINQ Care Inc.; Retired Senior Advisor to the Office of CEO, UnitedHealth Group

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 Annual Report on Form 10-K. 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 and operations, 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

We receive a substantial portion of our revenue from sales of our products for the treatment and prevention of HIV infection. During the year ended December 31, 2023, sales of our HIV products accounted for approximately 67% 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, including generics, 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, many of our HIV products contain tenofovir alafenamide ("TAF"), which belongs to the nucleoside class of antiviral therapeutics. If there are any changes to the treatment or prevention paradigm for HIV, and nucleoside-based therapeutics do not remain the preferred regimen, our HIV product sales would be adversely impacted.

Veklury

We face risks related to our supply and sale of Veklury, which was approved by U.S. Food and Drug Administration ("FDA") as a treatment for patients with coronavirus disease 2019 ("COVID-19"). Veklury sales generally reflect COVID-19 related rates and severity of infections and hospitalizations, as well as the availability, uptake and effectiveness of vaccines and alternative treatments for COVID-19. In May 2023, the World Health Organization declared the end of COVID-19 as a public health emergency of international concern. Future sales of Veklury in the short- and long-term remain uncertain. If we do not accurately forecast demand or manufacture Veklury at levels to align with actual demand, then we may experience product shortages or build excess inventory that may need to be written off.

Cell Therapy

Advancing a novel and personalized therapy such as Yescarta or Tecartus, which are chimeric antigen receptor ("CAR") T-cell therapies, 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 cell therapy;
- 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. While FDA has approved some cell therapies, including Yescarta and Tecartus, we must continue to demonstrate to the medical community the potential advantages of cell therapy compared to existing and future therapeutics. In November 2023, FDA announced that it is investigating the risk of T-cell malignancies in patients who received treatment with CAR T-cell therapy, noting that the overall benefits of CAR T-cell therapy products continue to outweigh their potential risks for their approved uses. In January 2024, FDA determined that safety labeling issues were needed for approved CAR T-cell therapies, including a “boxed warning” about the possible risk of T-cell malignancies in patients treated with CAR T-cell therapy. Additionally, FDA requested continued monitoring and reporting of cases of secondary cancers. For challenges related to the reimbursement of Yescarta and Tecartus, see also “Our existing products are subject to reimbursement pressures from government agencies and other third parties, required rebates and discounts, 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 and Tecartus 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.

We also face risks related to our in-house CAR T-cell therapy manufacturing facilities in California, Maryland and the Netherlands, spanning process development, vector manufacturing, clinical trial production and commercial product manufacturing. Quality, reliability and speed are critical in cell therapy manufacturing to quickly and safely deliver our cell therapies to patients. Any delays or quality issues with our manufacturing operations could adversely affect our business and damage our reputation. In addition, we may not be able to sufficiently increase manufacturing network capacity to meet growing demand.

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 U.S., 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 mirror actual 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, and we may continue to see this trend in the future.

We sell and distribute most of our products in the U.S. exclusively through the wholesale channel. For the year ended December 31, 2023, approximately 91% of our product sales in the U.S. were to three wholesalers, Cencora, Inc. (formerly known as 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 accurate 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 second half of the year 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 products and technologies that may be 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 discounts, and other pricing pressures.

Product Reimbursements

Successful commercialization of our products depends, in part, on the availability and amount of third-party payer reimbursement for our products and related treatments and medical services in the markets where we sell our products. As our products mature, pricing pressures from private insurers and government payers often result in a reduction of the net product 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. In January 2024, FDA authorized Florida's proposed program to import prescription drugs from Canada, although Florida must meet certain additional requirements before it can begin shipments of prescription drugs into the U.S. from Canada. The list of the specific prescription drugs that Florida intends to import has not been made public. 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 U.S., the European Union ("EU") 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. The volume of drug pricing-related legislation has dramatically increased in recent years, including:

- U.S. Congress has enacted laws requiring manufacturer refunds on certain amounts of discarded drug from single-use vials and eliminating the existing cap on Medicaid rebate amounts beginning in 2024.

- U.S. Congress has enacted the Inflation Reduction Act of 2022 (the “Act”), which, among other changes, (1) requires the Department of Health and Human Services to “negotiate” Medicare prices for certain drugs (starting with 10 drugs in 2026, adding 15 drugs in 2027 and 2028, and adding 20 drugs in 2029 and subsequent years), (2) imposes an inflation-based rebate on Medicare Part B utilization starting in 2023 and Part D utilization beginning October 1, 2022, and (3) restructures the Medicare Part D benefit to cap out-of-pocket expenses for Part D beneficiaries beginning in 2024 and, effective January 1, 2025, increases Part D plans’ contributions in the catastrophic coverage phase and increases manufacturers’ discount contributions across coverage phases such that manufacturers must pay a 10% discount in the initial coverage phase and a 20% discount in the catastrophic phase on drugs utilized by all Part D beneficiaries, including low income subsidy patients. We continue to evaluate the potential impact of the Act on our business. Centers for Medicare & Medicaid Services (“CMS”) has issued a number of guidance documents, but it remains unclear how certain provisions will be implemented. Additional guidance, legislation or rulemaking may be issued that could reflect the government’s evolving views. In addition, multiple manufacturers and trade organizations have challenged the Medicare “negotiation” provisions of the Act, and additional legal challenges may be filed in the future. While the full impact of the Act on our business and the pharmaceutical industry remains uncertain at this time, we anticipate that the Act will increase our payment obligations under the redesigned Part D discount program, limit the prices we can charge for our products, and increase the rebates we must provide government programs for our products, thereby reducing our profitability and negatively impacting our financial results.
- 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, establishing drug payment limits, and encouraging the use of generic drugs. For example, in August 2023, the Colorado Prescription Drug Affordability Review Board selected Genvoya for an affordability review, and it is possible the board may designate an upper limit on the amount certain purchasers and payors can pay for Genvoya. These initiatives and such other legislation may cause added pricing pressures on our products, and the resulting impact on our business is uncertain at this time.
- Many countries outside the U.S., including the EU member states, have established complex and lengthy procedures to obtain price approvals and coverage reimbursement and periodically review their pricing and reimbursement decisions. The outcome of these reviews cannot be predicted and could have an adverse effect on the pricing and reimbursement of our medical products in the EU member states. Reductions in the pricing of our medical 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 covered entities under Section 340B of the Public Health Service Act (“340B”). 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, the continued growth of the 340B program limits the prices we may charge on an increasing percentage of sales. Changes to the calculation of rebates under the Medicaid program could substantially increase our Medicaid rebate obligations and decrease the prices we charge 340B-covered entities.

In March 2022, we implemented a contract pharmacy integrity initiative for our branded hepatitis C virus (“HCV”) products. This integrity initiative does not involve any products from Asegua Therapeutics LLC. Our integrity initiative requires covered entities that enter into 340B bill to/ship to arrangements with contract pharmacies for our branded HCV products to provide claims level data for units dispensed from such contract pharmacies; covered entities without an in-house pharmacy that choose not to participate in the initiative can designate a single contract pharmacy for shipment. Certain manufacturers that have implemented other contract pharmacy integrity programs have received enforcement letters from the U.S. Department of Health and Human Services (“HHS”) asserting that those programs violate the 340B statute, have been referred to the HHS Office of Inspector General for assessment of civil monetary penalties, and have been subject to administrative dispute resolution proceedings brought on behalf of covered entities. These manufacturers are currently challenging HHS’ position in ongoing litigation. Certain states have also enacted laws requiring manufacturers to provide 340B pricing through contract pharmacy arrangements; we believe these laws, which are being challenged in ongoing litigation, are invalid. We also believe that our integrity initiative complies with the requirements of the 340B statute. However, additional legal or legislative developments with respect to the 340B program, including potential litigation with HHS or other stakeholders, may negatively impact our ability to implement or continue our integrity initiative.

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-cell 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 EU, there are barriers to reimbursement in individual countries that could limit the uptake of Yescarta and Tecartus.

Moreover, 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 U.S., 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 the importation of our products from lower price markets or the distribution of illegally diverted 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. 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 allow 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 U.S., the EU or markets with higher prices.

In the EU, we are required to permit products purchased in one EU member state to be sold in another member state. Purchases of our products in member states where our selling prices are relatively low for resale in member states 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 quality and/or efficacy of the products and could harm patients and adversely impact us.

We are also aware of the existence of various suppliers around the world that, without Gilead's authorization, purport to source our products and generic versions of our products and sell them for use in countries where those products have not been approved. As a result, patients may be at risk of taking unapproved medications that may not be what they purport to be, may not have the potency they claim to have or may contain harmful substances, which could harm patients and adversely impact us.

Further, third parties have illegally distributed and sold, and may continue to 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. For example, as part of a U.S. civil enforcement lawsuit in coordination with law enforcement, and pursuant to court order, we seized thousands of bottles of Gilead-labeled medication with counterfeit supply chain documentation. Our investigation revealed that pharmaceutical distributors that are not authorized by Gilead to sell Gilead medicine sold purportedly genuine Gilead medicine sourced from an illegal counterfeiting scheme to independent pharmacies nationwide.

Illegally diverted and counterfeit versions of Gilead-branded medicines exist and may pose a serious risk to patient health and safety. Our actions to stop or prevent the distribution and sale of illegally diverted and counterfeit versions of our medicines around the world may be costly and unsuccessful, which may adversely affect patients and our reputation and business, including our product revenues and financial results.

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 product candidates that we develop for each intended use through extensive preclinical studies and clinical trials. The results from these 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.

We face numerous risks and uncertainties with our clinical trials that could result in delays or prevent completion of the development and approval of our product candidates, including challenges in clinical trial protocol design, our ability to enroll patients in clinical trials, the possibility of unfavorable or inadequate trial results to support further development of our product candidates, including failure to meet a trial's primary endpoint, safety issues arising from our clinical trials, and the need to modify or delay our clinical trials or to perform additional trials. For example, in October 2022, we announced that FDA issued a complete response letter for our Biologics License Application for bulevirtide for the treatment of adults with hepatitis delta virus infection. In January 2024, we announced that our Phase 3 EVOKE-01 study evaluating sacituzumab govitecan-hziy did not meet its primary endpoint of overall survival in previously treated metastatic non-small cell lung cancer ("NSCLC"). We believe that this represents an indicator of potential impairment in the first quarter of 2024, which could result in us being required to record an impairment charge during the three months ended March 31, 2024. Any such impairment charge, which we are unable to reasonably estimate at this time, could have a material impact on our results of operations (for more information, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations "Results of Operations - In-Process Research and Development Impairments"). In addition, in February 2024, we announced a full clinical hold placed by FDA on all magrolimab studies in myelodysplastic syndromes and acute myeloid leukemia, and that we will not pursue further development of magrolimab in hematologic cancers.

As a result, we may be unable to successfully complete our clinical trials on our anticipated timelines, or at all. Based on trial results, it is possible that FDA and other regulatory authorities do not approve our product candidates, or that any market approvals include significant limitations on the products' use. In addition, clinical trials involving our commercial products can raise new safety issues for our existing products, which could adversely impact our business. Further, we have in the past and we may in the future make a strategic decision to discontinue development of our product candidates, including but not limited to situations where we believe commercialization will be difficult relative to other opportunities in our pipeline. For example, in February 2024, we announced a full clinical hold placed by FDA on all magrolimab studies in myelodysplastic syndromes and acute myeloid leukemia, and based on these results and data from other clinical studies, we will not pursue further development of magrolimab in hematologic cancers. In addition, in January 2024, we announced with our partner Arcus Biosciences, Inc. ("Arcus") the discontinuation of further enrollment in the Phase 3 ARC-10 study evaluating domvanalimab plus zimberelimab in first-line locally advanced or metastatic, PD-L1-high NSCLC based on strategic prioritization to advance and potentially accelerate other Phase 3 studies in our collaboration with Arcus. Therefore, our product candidates may never be successfully commercialized, and we may be unable to recoup the significant R&D and clinical trial expenses incurred. We expect to spend significant time and resources on our clinical trial activities without any assurance that we will recoup our investments or that our efforts will be commercially successful.

There are also risks associated with the use of third parties in our clinical trial activities. 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 bioanalysis. 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 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 have incurred, and will continue to incur, inventory write-off charges and other expenses for products that fail to meet specifications and quality standards as well as changes we may adopt in our manufacturing strategy, and we may need to undertake costly remediation efforts or seek more costly manufacturing alternatives. For example, see Note 10. Other Financial Information of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for a discussion of certain charges we incurred related to changes in our manufacturing strategy. 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 enough 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. For example, in the U.S., there has been a shortage of certain cancer drugs that are the backbone of standard-of-care treatments, such as carboplatin and cisplatin, which are also used in R&D and clinical trials. While we have observed minimal impacts to our oncology clinical trials to date, if these shortages continue or increase in magnitude, our ongoing and future oncology clinical trials may be delayed, halted or adversely impacted.

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 are interrupted for any reason, including as a result of natural disasters or extreme weather conditions, 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, flood or fire, 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 U.S. 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 U.S. 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 continue to file, for marketing approval in additional countries and for additional indications and products. 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 healthcare industry.

The healthcare industry is subject to various federal, state and international laws and regulations pertaining to drug approval, reimbursement, rebates, price reporting, healthcare fraud and abuse, and data privacy and security. In the U.S., these laws include anti-kickback and false claims laws, Federal Food, Drug, and Cosmetic Act, laws and regulations relating to the Medicare and Medicaid programs and other federal and state programs, such as the Medicaid Rebate Statute and the 340B statute, laws that regulate written and verbal communications about our products, 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 healthcare programs, including Medicare, Medicaid and U.S. Department of Veterans Affairs and U.S. 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, alter one or more of our sales or marketing practices, or impact our ability to obtain or maintain regulatory approvals. 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 and other patient 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, see Note 13. Commitments and Contingencies of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

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

As additional studies are conducted after 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 those 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 the halt of product sales.

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 U.S. 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.

Because patent applications are confidential for a period of time after filing, we may not know if our competitors have filed 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.

Patents covering our existing compounds, products and processes, and those that we will likely file in the future, may not provide complete or adequate protection. Filing patent applications is a fact-intensive and complex process. We may file patent applications that ultimately do not result in patents or have patents that do not provide adequate protection for the related product. Future litigation or other proceedings regarding the enforcement or validity of our existing patents or any future patents could result in the invalidation of our patents or substantially reduce their protection. In addition, we may face criticism as a result of our legitimate use of the patent systems to protect our investments in new and useful innovations in medicine.

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 13. Commitments and Contingencies of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K. ANDA litigation and related settlement and license agreements, in some cases, may result in a loss of exclusivity for our patents sooner than we would otherwise expect. In addition, loss of exclusivity may be earlier than expected under these settlement and license agreements under certain circumstances. For example, settlement and license agreements with generic manufacturers typically include acceleration clauses that permit generic entry before the agreed-upon entry date in certain circumstances, and generic manufacturers may continue to challenge the patents protecting our products. 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. For example, we are aware of patents and patent applications owned by other parties that such parties may claim to cover the use of our products and research activities. For a description of our pending patent litigation, see Note 13. Commitments and Contingencies of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Furthermore, we also rely on unpatented trade secrets and improvements, unpatented internal know-how and technological innovation. 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. From time to time, these matters require us to pay significant monetary amounts, 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, investigation and other dispute-related matters, see Note 13. Commitments and Contingencies of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K. 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.

Actual or threatened outbreaks of epidemic, pandemic or contagious diseases, or other public health emergencies, may significantly disrupt our global operations and adversely affect our business, financial condition and results of operations. As we have seen with the COVID-19 pandemic, outbreaks can result in global supply chain and logistics disruptions and distribution constraints. The impact of an outbreak or other public health crisis on our results of operations and financial condition would depend on numerous evolving factors, but could involve higher operating expenses, lower demand for our products as a result of governmental, business and individuals' actions taken in response to such an event (including quarantines, travel restrictions and interruptions to healthcare services, which can impact enrollment in or operation of our clinical trials or limit patients' ability or willingness to access and seek care), challenges associated with the safety of our employees and safe occupancy of our job sites, and financial market volatility and significant macroeconomic uncertainty in global markets. An outbreak or public health emergency also could amplify many of the other risks described throughout the "Risk Factors" section of this Annual Report on Form 10-K.

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 year ended December 31, 2023, approximately 26% of our product sales were denominated in foreign currencies. 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. For example, see "Foreign Currency Exchange Impact" in Part II, Item 7 of this Annual Report on Form 10-K for a discussion of our exposure to movements in foreign currency exchange rates, primarily in the Euro, and the impacts from foreign currency exchange, net of hedges, for the year ended December 31, 2023.

- Interest Rates and Inflation: We hold interest-generating assets and interest-bearing liabilities, including our available-for-sale debt securities and our senior unsecured notes and credit facilities. Fluctuations in interest rates, including the U.S. Federal Reserve's recent increases in interest rates and anticipated decreases in 2024, could expose us to increased financial risk. In addition, high inflation, such as what we are seeing in the current economic environment, has adversely impacted and may continue to adversely impact our business and financial results.
- 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 assets such as nationalization, expropriation, the imposition of compulsory licenses or similar actions, including waiver of intellectual property protections.
- Protective economic policies taken by 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 U.S. or other governments.
- Political instability or disruption in a geographic region where we operate, regardless of cause, including war, terrorism, social unrest and political changes, including in China, Russia, Ukraine, Israel and surrounding areas.
- Increasing use of social media platforms and modern technologies present new risks and challenges, and inappropriate or unauthorized use of these platforms can result in exposure of sensitive data or information and damage our brand and reputation.

Climate change and related natural disasters, as well as legal, regulatory, or market measures to address climate change, can negatively affect our business and operations.

Many of our operations and facilities, including those essential to our manufacturing, R&D and commercialization/distribution activities, are located in regions subject to natural or man-made disasters, such as climate change, earthquakes, hurricanes, rising sea levels and flooding, fires, extreme heat, drought or other extreme weather conditions, or efforts taken by third parties to prevent or mitigate such disasters, such as public safety power shutoffs and facility shutdowns. The severity and frequency of weather-related events has been amplified, and is expected to continue to be amplified, by climate change. Such natural disasters have caused, and in the future may cause, damage to and/or disrupt our operations, which may result in a material adverse effect on our business and financial results. For example, our facility in Cork, Ireland, where we conduct commercial manufacturing, packaging and labeling and perform quality control testing and final release of many of our products, temporarily suspended on-site operations as a result of the flooding caused by Storm Babet in October 2023. Additionally, our corporate headquarters in Foster City and certain R&D and manufacturing facilities are located in California, a seismically active region. Although we have business continuity plans and contingencies in place and conduct periodic assessments of our natural disaster risk as part of our overall enterprise risk management program, a major earthquake or other natural disaster can result in significant recovery time and a prolonged interruption to our operational and business activities. We may be required to incur significant costs to remedy the effects of such natural disasters and to resume or restore our operations, which could adversely impact us. Our suppliers and third-party manufacturers and corporate partners face similar risks, and any disruption to their operations could have an adverse effect on our manufacturing and supply chain. Also, see risks under the headings "We may face manufacturing difficulties, delays or interruptions, including at our third-party manufacturers and corporate partners" and "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."

In addition, growing concern regarding climate change has resulted in an evolving legal and regulatory landscape, with new requirements enacted to prevent, mitigate or adapt to the implications of climate change. These regulations, which can differ across jurisdictions, subject Gilead to many transitional risks, including, for example, new or expanded carbon pricing or taxes, increased compliance costs, restrictions on greenhouse gas emissions, investment in new technologies, increased carbon disclosure and transparency, investments in data gathering and reporting systems, upgrades of facilities to meet new building codes and the redesign of utility systems, which could increase the company's operating costs, including the cost of electricity and energy. Our suppliers and third-party manufacturers and corporate partners face similar transition risks and may pass along any increased costs to the company.

Our aspirations, goals and disclosures related to environmental, social and governance (“ESG”) matters expose us to numerous risks, including risks to our reputation and stock price.

Institutional and individual investors are increasingly using ESG screening criteria to determine whether Gilead qualifies for inclusion in their investment portfolios. We are frequently asked by investors and other stakeholders to set ambitious ESG goals and provide new and more robust disclosure on goals, progress toward goals and other matters of interest to ESG stakeholders. In response, we have adapted the tracking and reporting of our corporate responsibility program to various evolving ESG frameworks, and we have established and announced goals and other objectives related to ESG matters. These goal statements reflect our current plans and aspirations and are not guarantees that we will be able to achieve them. Our efforts to accomplish and accurately report on these goals and objectives present numerous operational, reputational, financial, legal and other risks, any of which could have a material negative impact, including on our reputation and stock price.

Our ability to achieve any goal or objective, including with respect to environmental and diversity initiatives, is subject to numerous risks, many of which are outside of our control. Examples of such risks include: (1) the availability and cost of low- or non-carbon-based energy sources and technologies, (2) evolving regulatory requirements affecting ESG standards or disclosures, (3) the availability of suppliers that can meet our sustainability, diversity and other standards, (4) our ability to recruit, develop and retain diverse talent in our labor markets and (5) the impact of our organic growth and acquisitions or dispositions of businesses or operations.

The standards for tracking and reporting on ESG matters are relatively new, have not been harmonized and continue to evolve. Our selection of disclosure frameworks that seek to align with various reporting standards may change from time to time and may result in a lack of consistent or meaningful comparative data from period to period. In addition, regulatory authorities may impose mandatory disclosure requirements with respect to ESG matters. For example, in March 2022, U.S. Securities and Exchange Commission (“SEC”) proposed rule changes that would require companies to make certain climate-related disclosures, including information about climate-related risks, greenhouse gas emissions and certain climate-related financial statement metrics. Also, in October 2023, the California Governor signed the Climate-Related Financial Risk Act and the Climate Corporate Data Accountability Act into law, which impose significant and mandatory climate-related reporting requirements for large companies doing business in the state. Our processes and controls may not reflect evolving standards for identifying, measuring and reporting ESG matters, immediately or at all, our interpretation of reporting standards may differ from those of others, and such standards may change over time, any of which could result in significant revisions to our goals or reported progress in achieving such goals. In addition, enhancements to our processes and controls to reflect evolving reporting standards may be costly and require additional resources.

If our ESG practices do not meet evolving investor or other stakeholder expectations and standards, then our reputation, our ability to attract or retain employees and our attractiveness as an investment, business partner or acquiror could be negatively impacted. Similarly, our failure or perceived failure to pursue or fulfill our goals, targets and objectives or to satisfy various reporting standards within the timelines we announce, or at all, could also have similar negative impacts and expose us to government enforcement actions and private litigation.

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. 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. Furthermore, changes to 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. Additionally, we periodically make adjustments to reflect our personnel needs in response to changing macroeconomic conditions, market opportunities, management changes, acquisitions, cost levels and other internal and external considerations, which may adversely impact our workplace culture and ability to retain and incentivize employees.

The failure to successfully implement or upgrade enterprise resource planning and other information systems could adversely impact our business and results of operations.

We periodically implement or upgrade new or enhanced enterprise resource planning ("ERP") and other information systems in order to better manage our business operations, align our global organizations and enable future growth. Implementation or upgrade of new business processes and information systems requires the commitment of significant personnel, training and financial resources, and entails risks to our business operations. If we do not successfully implement ERP and other information systems improvements, or if there are delays or difficulties in implementing these systems, we may not realize anticipated productivity improvements or cost efficiencies, and we may experience operational difficulties and challenges in effectively managing our business, all of which could result in quality issues, reputational harm, lost market and revenue opportunities, and otherwise adversely affect our business, financial condition and results of operations.

For example, we are currently in the process of implementing new ERP and other information systems to help us manage our operations and financial reporting. Costs and risks inherent in this transition may include disruptions to business continuity, administrative and technical problems, interruptions or delays in sales, manufacturing or R&D processes, expenditure overruns, delays in paying our suppliers and employees, and data migration issues. If we do not properly address or mitigate these issues, this could result in increased costs and diversion of resources, negatively impacting our operating results and ability to effectively manage our business. Additionally, if we do not effectively implement the ERP system as planned, or the ERP system does not operate as intended, the effectiveness of our internal control over financial reporting could be negatively affected.

Information system service interruptions or breaches, including significant cybersecurity incidents, could give rise to legal liability and regulatory action under data protection and privacy laws and adversely affect our business and operations.

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 and Tecartus. The multitude and complexity of our computer systems make them inherently vulnerable to service interruption or destruction, including those caused by failures during system upgrades or implementations, user error, network or hardware failure, malicious intrusion and ransomware attack. Likewise, data privacy or cybersecurity incidents or breaches by employees or others can result in the exposure of sensitive data, including our intellectual property or trade secrets or the personal information of our employees, patients, customers or other business partners to unauthorized persons or to the public. If our information systems or third-party information systems on which we rely suffer severe damage, disruption or shutdown, including during upgrades or new implementations, and our business continuity plans do not effectively resolve the issues in a timely manner, we could experience delays in reporting our financial results, and we may lose revenue and profits as a result of our inability to timely manufacture, distribute, invoice and collect payments. Cybersecurity attacks and incidents are increasing in their frequency, sophistication and intensity. Malicious actors seek to steal money, gain unauthorized access to, destroy or manipulate data, and disrupt operations, and some of their attacks may not be recognized or discovered until after a significant period of time well after initial entry into the environment, such as novel or zero-day attacks that are launched before patches are available and defenses can be readied. Malicious actors are also increasingly developing methods to avoid prevention, detection and alerting capabilities, including employing counter-forensic tactics making response activities more difficult. Such attacks and incidents include, for example, the deployment of harmful malware, exploitation of vulnerabilities, computer viruses, key loggers, ransomware, denial-of-service, social engineering and other means to affect service reliability and operations 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.

Like many companies, we have experienced and expect to continue to be the target of cybersecurity incidents, including data breaches and temporary service interruptions. When cybersecurity incidents occur, our policy is to respond and address them in accordance with applicable governmental regulations and other legal requirements, including our cybersecurity protocols. There can be no assurance that our efforts in response to cybersecurity incidents, as well as our investments to protect our information technology infrastructure and data, will shield us from significant losses, brand and reputational harm and potential liability or prevent any future interruption or breach of our systems. Such cybersecurity incidents can cause the loss of critical or sensitive information, including personal information, and could give rise to legal liability and regulatory action under data protection and privacy laws. Financial, legal, business, or reputational losses may result from a cybersecurity incident or breach of our information technology systems.

Regulators globally are also imposing new data privacy and security requirements, including new and greater monetary fines for privacy violations. For example, the EU's General Data Protection Regulation ("GDPR") 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, domestic data privacy and security laws, such as the California Consumer Privacy Act and the California Privacy Rights Act and other laws that have been or may be passed, similarly introduce requirements with respect to personal information, and non-compliance with such laws may result in liability through private actions (subject to statutorily defined damages in the event of certain data breaches) and enforcement. Other changes or new laws or regulations associated with the enhanced protection of 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, including the possibility that a governmental entity or regulatory body may delay or refuse to grant approval for the consummation of the transaction. 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 have in the past and may in the future need to recognize impairment charges related to the products, intellectual property and technologies that are acquired or licensed. For example, as a result of an impairment analysis we conducted following our receipt of data in March 2022 from the Phase 3 TROPiCS-02 study evaluating Trodelvy in patients with hormone receptor-positive, human epidermal growth receptor 2-negative metastatic breast cancer, we recognized a partial in-process research and development impairment charge on our Condensed Consolidated Statements of Income during 2022. Similarly, we are evaluating whether we could be required to record an impairment charge during the three months ended March 31, 2024 in connection with our Phase 3 EVOKE-01 study evaluating sacituzumab govitecan-hziy. Any such impairment charge, which we are unable to reasonably estimate at this time, could have a material impact on our results of operations (for more information, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations "Results of Operations - In-Process Research and Development Impairments"). 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 example, in March 2023, we waived our exclusive option to acquire Pionyr Immunotherapeutics, and in September 2023, we waived our exclusive option to acquire Tizona Therapeutics, Inc. For equity investments in our strategic partners, such as in connection with our collaborations with Arcus Biosciences, Inc. and 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, Inc. in 2020, S&P Global Ratings 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 in the U.S. and various foreign jurisdictions. 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. Our effective tax rates are affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, the introduction of new taxes, and changes in tax laws, regulations, administrative practices and interpretations, including in the U.S., Germany and Ireland.

We are also subject to the examination of our tax returns and other tax matters by the U.S. Internal Revenue Service and tax authorities in various 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 may be adversely affected by the resolution of one or more of these exposures in any reporting period.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 1C. CYBERSECURITY

Cybersecurity Risk Management and Strategy

Processes Used to Assess, Identify, and Manage Material Risks from Cybersecurity Threats

Risk Assessment and Management

Our approach to managing material risks from cybersecurity threats, which is informed in part by the National Institute of Standards and Technology ("NIST") Cybersecurity Framework (though we do not imply that we meet any particular technical standards, specifications or requirements), is designed to detect, identify, respond to, recover from and protect from cybersecurity incidents.

Our security governance function, which includes key employees who work in Information Security, Legal, and Privacy teams such as our Chief Information Officer ("CIO") and Chief Information Security Officer ("CISO"), are responsible for establishing and implementing cybersecurity policies and procedures, which includes developing and updating our enterprise incident response plan ("IRP"), managing incident response, and overseeing any policy exceptions and potential compensating controls.

Additionally, we assess our cybersecurity maturity annually using the NIST framework and implement and maintain controls that are designed to evaluate and improve our cybersecurity program, such as vulnerability assessments and penetration tests, as needed. We also execute employee cybersecurity training and awareness programs around various key cybersecurity topics including reporting incidents, phishing, ransomware, remote working, cloud security, privileged access, and removable media.

Our process for assessing, identifying, and managing material risks from cybersecurity threats is integrated into our overall risk management process. We have a robust enterprise risk management ("ERM") program that plays an important role in seeking to manage and address existing and emerging risks, including cybersecurity risks, which are critical to our overall business goals and objectives. The ERM team updates our CEO and his leadership team on cybersecurity risks as well as their potential impact, likelihood, potential mitigation plan, and status.

Incident Response

We have a dedicated Information Security team responsible for managing and coordinating incident response efforts. This team collaborates closely with other teams within the company, including teams within information technology ("IT"), Legal and Privacy, in identifying, analyzing, and responding to cybersecurity incidents, which includes tracking cybersecurity incidents to help identify any related incidents. When cybersecurity incidents are identified, our practice is to respond to and address them utilizing incident classifications and escalation protocols, in accordance with applicable governmental regulations and other legal requirements.

We have an IRP to prepare for and respond to cybersecurity incidents. The process is tested in annual tabletop exercises to help identify strengths and areas for improvement.

Engagement of Third Party Advisors

We engage third party advisors, including assessors, cybersecurity consultants, and auditors to assess, validate, and enhance our cybersecurity program. We benefit from engaging third parties to provide specialized skills, knowledge, tools, and resources. These third parties also help reduce costs, increase efficiency, improve quality, mitigate risks, and review cybersecurity strategy, trends, and threat landscape.

Third-Party Service Provider Risk Management

We have a process in place to oversee and identify risks from cybersecurity threats associated with our use of key third-party service providers during the course of engagement. The company uses an external risk management software program to identify, assess, monitor and mitigate risks associated with third-party relationships, including cybersecurity risks. Our vendor security assessment process evaluates key vendors and, where appropriate, assesses vendor's controls for IT security, privacy, business continuity, and other third-party risks. Following an evaluation, the company determines and prioritizes risks based on their potential impact, which help inform the appropriate level of additional due diligence and ongoing compliance monitoring. The third-party risk assessment is a cross-functional effort involving our end-user, Legal, Privacy, and Information Security teams.

Material Risks from Cybersecurity Threats

The company has not identified any risks from cybersecurity threats that have materially affected us. We do not believe that risks from cybersecurity threats are reasonably likely to materially affect us, including our business strategy, results of operations or financial condition, over the long term. Like many companies, we have experienced cybersecurity incidents, including data breaches and temporary service interruptions. However, as of the end of 2023, known cybersecurity incidents, individually or in aggregate, have not had a material impact. Nevertheless, there can be no assurance that our efforts in response to cybersecurity incidents, as well as our investments to protect our IT infrastructure and data, will shield us from significant losses, brand and reputational harm and potential liability or prevent any future interruption or breach of our systems. Such cybersecurity incidents can cause the loss of critical or sensitive information, including personal information, and could give rise to legal liability and regulatory action under data protection and privacy laws. For additional information on cybersecurity risks we face, see Part I, Item 1A. Risk Factors of this Annual Report on Form 10-K under the heading "Information system service interruptions or breaches, including significant cybersecurity incidents, could give rise to legal liability and regulatory action under data protection and privacy laws and adversely affect our business and operations."

Cybersecurity Governance

Board Oversight of Risks from Cybersecurity Threats

Our Board of Directors plays an important role in overseeing cybersecurity risks. Our Board of Directors has established an oversight structure for monitoring the effectiveness of and risks related to the cybersecurity program. Designated by the Board to oversee cybersecurity and information technology risks, the Audit Committee receives quarterly cybersecurity updates from our CISO, and the chair of the Audit Committee meets with the CISO individually on a quarterly basis. These updates often address topics such as ongoing efforts to improve our cybersecurity posture, operational metrics, incident metrics, and mitigation actions, and may include key metrics such as those related to cybersecurity maturity, risk reduction, cybersecurity program health, and audit and compliance activities. The Audit Committee updates the Board on its activities at each regularly scheduled Board meeting. Risks related to cybersecurity events are provided to the Board on an annual basis as part of an overall ERM update. In addition to this regular reporting, significant cybersecurity risks may also be escalated on an as-needed basis through the company's organizational structure in accordance with the IRP.

Management's Role in Assessing and Managing Materials Risks from Cybersecurity Threats

Under the IRP, cybersecurity incidents are escalated based on a defined incident severity to management as appropriate. Management, including the CIO and CISO, is involved in assessing and managing our cybersecurity risks. The CISO reports to the CIO (who in turn reports to our Chief Financial Officer, who in turn reports to the CEO), and both the CIO and CISO participate in global leadership team meetings. With over 26 years of experience, including over three years with the company, the CIO has been recognized externally for his leadership in technology innovation in the industry, and provides strategic leadership for the company's IT organization. The CISO has over 30 years of IT and cybersecurity experience in large biopharmaceutical, life sciences, financial and technology industries, including over ten years with the company, and is responsible for managing the security architecture, engineering, technology operations, monitoring, incident response, risk, governance, quality and compliance at the company.

The company's Information Security function is comprised of teams that engage in a range of cybersecurity activities such as security operations, security engineering, data privacy controls, validation, compliance, and audit readiness. Leaders of each team are expected to collaborate to help increase visibility of key issues and alignment with strategy. As noted above, the company's IRP includes standard processes for escalating significant cybersecurity incidents to management, including the CISO. The company's incident response team also coordinates with external legal advisors, cybersecurity forensic firms, communication specialists, and other outside advisors and experts, as appropriate.

ITEM 2. PROPERTIES

Our corporate headquarters are located in Foster City, California, where we house our administrative, manufacturing and R&D activities. We also have administrative facilities in Raleigh, North Carolina; Parsippany, New Jersey; and Washington, D.C., and we have R&D facilities in Emeryville, Oceanside and Santa Monica, California; Seattle, Washington; Frederick, Maryland; Edmonton, Canada; Dublin, Ireland; Cambridge and Oxford, United Kingdom. Our principal manufacturing facilities are in El Segundo, La Verne, Oceanside and Santa Monica, California; Frederick, Maryland; Edmonton, Canada; Cork, Ireland and Hoofddorp, Netherlands. For more information about our manufacturing facilities, see Item 1. Business "Our Manufacturing Facilities." Our global operations include offices in Europe, North America, Asia, South America, Africa, Australia and the Middle East.

We believe that our existing properties, including both owned and leased sites, are adequate and suitable for the conduct of our business. We believe our capital resources are sufficient to purchase, lease or construct any additional facilities required to meet our expected long-term growth needs.

ITEM 3. LEGAL PROCEEDINGS

For a description of our significant pending legal proceedings, see Note 13. Commitments and Contingencies - Legal Proceedings of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is traded on the Nasdaq Global Select Market under the symbol "GILD."

Holders

As of February 16, 2024, we had approximately 1,396 stockholders of record of our common stock.

Dividends

For the years ended December 31, 2023 and 2022, we paid quarterly dividends. We expect to continue to pay quarterly dividends, although the amount and timing of any future dividends are subject to declaration by our Board of Directors. Additional information is included in Consolidated Statements of Stockholders' Equity and in Note 17. Subsequent Events of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Securities Authorized For Issuance Under Equity Compensation Plans

The following table provides certain information with respect to our equity compensation plans in effect as of December 31, 2023:

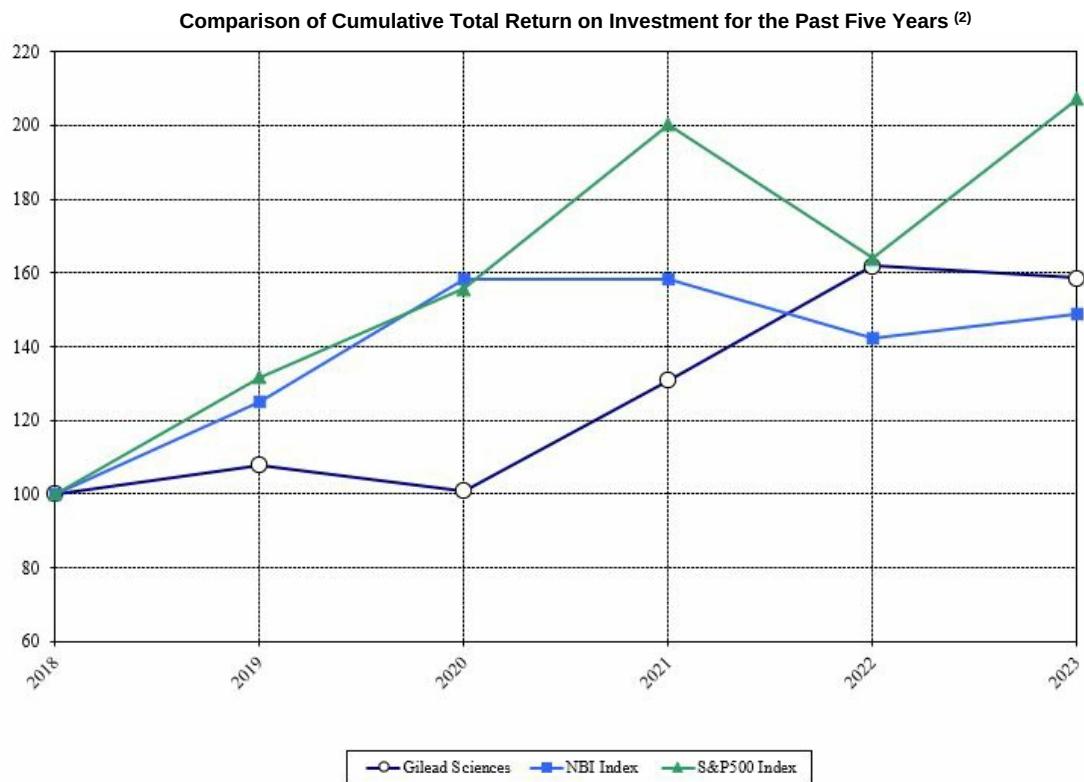
Plan Category (in millions, except exercise price)	Number of Common Shares to be Issued Upon Exercise of Outstanding Options and Rights ⁽¹⁾	Weighted-average Exercise Price of Outstanding Options and Rights ⁽¹⁾	Number of Common Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))	
			(a)	(b)
Equity compensation plans approved by security holders:				
2022 Equity Incentive Plan	38.0	\$ 69.38	82.3	
Employee Stock Purchase Plan ⁽²⁾				26.0
Total equity compensation plans approved by security holders	38.0	\$ 69.38	108.3	
Equity compensation plans not approved by security holders				
	—	\$ —	—	
Total	38.0	\$ 69.38	108.3	

⁽¹⁾ Includes 24 million restricted stock units, performance share units and phantom shares. These awards have no exercise price and are not included in the weighted-average exercise price of outstanding awards.

⁽²⁾ Under our Employee Stock Purchase Plan, participants are permitted to purchase our common stock at a discount on certain dates through payroll deductions within a pre-determined purchase period. Accordingly, these numbers are not determinable.

Performance Graph⁽¹⁾

The following graph compares our cumulative total stockholder return for the past five years to two indices: the Standard & Poor's 500 Stock Index ("S&P 500 Index") and the Nasdaq Biotechnology Index ("NBI Index"). The stockholder return shown on the graph below is not necessarily indicative of future performance, and we do not make or endorse any predictions as to future stockholder returns.



⁽¹⁾ This section is not "soliciting material," is not deemed "filed" with U.S. Securities and Exchange Commission and is not to be incorporated by reference in any of our filings under the Securities Act of 1933, as amended or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

⁽²⁾ Shows the cumulative return on investment assuming an investment of \$100 in our common stock, the NBI Index and the S&P 500 Index on December 31, 2018, and assuming that all dividends were reinvested.

Issuer Purchases of Equity Securities

In the first quarter of 2020, our Board of Directors authorized a \$5.0 billion stock repurchase program ("2020 Program"), with no fixed expiration. Purchases under the 2020 Program may be made in the open market or in privately negotiated transactions, but the program does not obligate us to repurchase any specific number of shares and may be amended, suspended or discontinued at any time. We started repurchases under the 2020 Program in December 2022.

The table below summarizes our stock repurchase activity for the three months ended December 31, 2023:

	Total Number of Shares Purchased (in thousands)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (in thousands)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs (in millions)
October 1 - October 31, 2023	863	\$ 76.86	808	\$ 3,962
November 1 - November 30, 2023	800	\$ 76.57	738	\$ 3,905
December 1 - December 31, 2023	709	\$ 79.37	391	\$ 3,874
Total⁽¹⁾	2,371	\$ 77.51	1,937	

⁽¹⁾ 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 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is intended to provide material information around events and uncertainties known to management that are relevant to an assessment of the financial condition and results of operations of Gilead and should therefore be read in conjunction with our audited Consolidated Financial Statements and the related notes thereto and other disclosures included as part of this Annual Report on Form 10-K (including the disclosures under Part I, Item 1A. Risk Factors). Additional information related to the comparison of our results of operations between the years 2022 and 2021 is included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of our 2022 Form 10-K filed with U.S. Securities and Exchange Commission.

Management Overview

Gilead Sciences, Inc. (including its consolidated subsidiaries, referred to as "Gilead," the "company," "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, coronavirus disease 2019 ("COVID-19") and cancer. We operate in more than 35 countries worldwide, with headquarters in Foster City, California.

During 2023, we continued to advance our portfolio and broaden available therapies while delivering continued growth in our HIV and Oncology product sales. In terms of capital resources, we continued to invest in our business and research and development ("R&D") pipeline through acquisitions and collaborations. We also continued to provide shareholder returns through dividends and share repurchases.

Key Business Updates

The following updates are based on press releases issued since our last annual report. Readers are encouraged to review all press releases available on our website at www.gilead.com. The content on the referenced website does not constitute a part of and is not incorporated by reference into this Annual Report on Form 10-K.

Virology

- Announced that the Phase 3 OAKTREE trial of obeldesivir in non-hospitalized participants without risk factors for developing severe COVID-19 did not meet its primary endpoint of improvement in time to symptom alleviation. Obeldesivir was well-tolerated in this large study population.
- Received U.S. Food and Drug Administration ("FDA") and European Commission ("EC") approval to extend the use of Veklury to treat COVID-19 in appropriate patients with mild to severe hepatic impairment as well as people with severe renal impairment, including those on dialysis.
- Announced a collaboration with Assembly Biosciences, Inc. ("Assembly") to advance the research and development of novel antiviral therapies, including for herpesviruses, chronic hepatitis B virus ("HBV") and chronic hepatitis delta virus ("HDV").
- Received full marketing authorization from EC for Hepcludex (bulevirtide) for the treatment of adults with HDV and compensated liver disease. Hepcludex was initially granted conditional marketing authorization in July 2020. Bulevirtide remains the only approved treatment for HDV in the European Union ("EU") and is not approved in the U.S.

Oncology

- Announced a full clinical hold placed by FDA on all magrolimab studies in myelodysplastic syndromes and acute myeloid leukemia, and that we will not pursue further development of magrolimab in hematologic cancers.
- Announced that the Phase 3 EVOKE-01 study of Trodelvy versus docetaxel in previously treated metastatic non-small cell lung cancer did not meet its primary endpoint of overall survival. While not statistically powered, we observed an encouraging trend in a subgroup of patients non-responsive to prior anti-PD-(L)1 immunotherapy, that we may potentially explore further.
- Received FDA approval of Yescarta's label update to include overall survival data from the Phase 3 ZUMA-7 study, which showed a statistically significant overall survival improvement for Yescarta in second-line relapsed or refractory ("R/R") large B-cell lymphoma ("LBCL") versus standard of care.
- Received FDA approval of a manufacturing process change resulting in reduced median turnaround time for Yescarta in the U.S. to an anticipated 14 days (from 16 days previously).

- Entered into a strategic collaboration with Arcellx, Inc. ("Arcellx") to co-develop and co-commercialize CART-ddBCMA, a late-stage clinical asset in development for the treatment of patients with relapsed or refractory multiple myeloma, and later announced expansion of the Arcellx collaboration to include exercising an option for the ARC-SparX ACLX-001 program in multiple myeloma, expanding the scope of the existing anato-cel collaboration to include lymphomas, and a further equity investment.
- Announced an exclusive license agreement with Compugen Ltd. ("Compugen") for later-stage development and commercialization of novel pre-clinical anti-IL18 binding protein antibodies, including COM503, that have the potential to treat various tumor types.
- Announced a collaboration with Tentarix Biotherapeutics Inc. ("Tentarix") to discover and develop novel therapies across oncology and inflammation, using Tentarix's proprietary Tentacles platform.
- Received EC approval for Trodelyv as monotherapy for the treatment of adult patients with unresectable or metastatic hormone receptor-positive, human epidermal growth factor receptor 2-negative ("HR+/HER2-") breast cancer who have received endocrine-based therapy, and at least two additional systemic therapies in the advanced setting.
- Announced, through Fosun Kite Biotechnology Co., Ltd., a joint venture between us and Shanghai Fosun Pharmaceutical (Group) Co., Ltd., the approval of axicabtagene ciloleucel (under the trade name Yikaida®) by the China National Medical Products Administration for the treatment of adult patients with R/R LBCL who failed first-line immunochemotherapy or relapsed within 12 months after first-line immunochemotherapy.
- Completed the transfer of Yescarta's marketing authorization in Japan from Daiichi Sankyo Co., Ltd. to Gilead Sciences K.K.
- Announced the acquisition of XinThera, Inc. ("XinThera"), adding additional pipeline assets including rights to a portfolio of small molecule inhibitors targeting PARP1 for oncology as well as MK2 for inflammatory diseases.
- Completed the acquisition of Tmunity Therapeutics, Inc. ("Tmunity"), a clinical stage private biotech company, which provides preclinical and clinical programs. This includes an "armored" CAR T technology platform that has the potential to be applied to a variety of CAR Ts to enhance anti-tumor activity, as well as rapid manufacturing processes.
- Received FDA approval of Trodelyv for the treatment of adult patients with unresectable locally advanced or metastatic HR+/HER2- breast cancer who have received endocrine-based therapy and at least two additional systemic therapies in the metastatic setting.

Inflammation

- Announced that we entered into a definitive agreement to acquire all of the outstanding common stock of CymaBay Therapeutics, Inc. ("CymaBay") and its lead product candidate, seladelpar, which is an investigational treatment for primary biliary cholangitis.
- Announced an amendment expanding the collaboration agreement with Arcus Biosciences, Inc. ("Arcus"), including research programs in inflammatory diseases, an update to the domvanalimab collaboration program, and an additional equity investment.
- Exercised an option to license investigational targeted protein degrader molecule NX-0479 ("GS-6791") from Nurix Therapeutics, Inc. GS-6791 is a potent, selective, oral IRAK4 degrader with potential applications in the treatment of rheumatoid arthritis and other inflammatory diseases.

Other

- Issued \$2.0 billion aggregate principal amount of senior unsecured notes in a registered offering, comprised of \$1.0 billion principal amount of 5.25% senior notes due in 2033 and \$1.0 billion principal amount of 5.55% senior notes due in 2053, and repaid debt of \$2.25 billion.

Key Financial Results

(in millions, except percentages and per share amounts)	Year Ended December 31,		
	2023	2022	Change
Total revenues	\$ 27,116	\$ 27,281	(1) %
Net income attributable to Gilead	\$ 5,665	\$ 4,592	23 %
Diluted earnings per share attributable to Gilead	\$ 4.50	\$ 3.64	24 %

Total revenues decreased 1% to \$27.1 billion in 2023, compared to 2022, driven by lower Veklury sales, largely offset by higher HIV and Oncology sales.

Net income attributable to Gilead was \$5.7 billion and diluted earnings per share attributable to Gilead was \$4.50 in 2023, compared to \$4.6 billion and \$3.64 diluted earnings per share attributable to Gilead in 2022. The increase was primarily due to lower in-process research and development ("IPR&D") impairment expenses, lower net unrealized losses on equity investments and higher interest income, partially offset by higher costs of goods sold and operating expenses, and lower revenues.

Results of Operations

Revenues

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

(in millions, except percentages)	Year Ended December 31, 2023				Year Ended December 31, 2022				Change	
	Other		Other		Other		Other			
	U.S.	Europe	International	Total	U.S.	Europe	International	Total		
Product sales:										
HIV	\$ 14,848	\$ 2,102	\$ 1,226	\$ 18,175	\$ 13,820	\$ 2,219	\$ 1,155	\$ 17,194	6 %	
Oncology	1,833	875	224	2,932	1,494	573	73	2,139	37 %	
Cell Therapy	1,055	658	156	1,869	968	430	60	1,459	28 %	
Trodelvy	777	217	68	1,063	525	143	12	680	56 %	
Liver Disease	1,421	511	852	2,784	1,440	525	833	2,798	(1) %	
HCV ⁽¹⁾	1,002	378	386	1,767	1,005	413	392	1,810	(2) %	
HBV / HDV	418	133	466	1,017	435	112	441	988	3 %	
Veklury	972	408	805	2,184	1,575	702	1,628	3,905	(44) %	
Other	304	301	255	859	388	323	235	946	(9) %	
Total product sales	19,377	4,197	3,361	26,934	18,716	4,342	3,924	26,982	— %	
Royalty, contract and other revenues										
62	114	7	182	168	127	4	299	(39) %		
Total revenues	\$ 19,438	\$ 4,310	\$ 3,368	\$ 27,116	\$ 18,884	\$ 4,469	\$ 3,928	\$ 27,281	(1) %	

See Note 2. Revenues of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for further disaggregation of revenue by product.

⁽¹⁾ Chronic hepatitis C virus ("HCV")

HIV

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

(in millions, except percentages)	Year Ended December 31, 2023				Year Ended December 31, 2022				Change	
	Other		Other		Other		Other			
	U.S.	Europe	International	Total	U.S.	Europe	International	Total		
Biktarvy										
Biktarvy	\$ 9,692	\$ 1,253	\$ 905	\$ 11,850	\$ 8,510	\$ 1,103	\$ 777	\$ 10,390	14 %	
Complera/Eviplera	47	70	12	129	74	113	13	200	(35) %	
Descovy	1,771	100	114	1,985	1,631	118	123	1,872	6 %	
Genvoya	1,752	205	103	2,060	1,983	284	136	2,404	(14) %	
Odefsey	1,012	294	44	1,350	1,058	364	47	1,469	(8) %	
Stribild	72	21	8	101	88	29	10	127	(20) %	
Truvada	82	13	19	114	113	15	18	147	(22) %	
Revenue share - Symtuza ⁽¹⁾	382	133	13	529	348	168	14	530	— %	
Other HIV ⁽²⁾	37	12	7	56	15	24	17	57	(1) %	
Total HIV	\$ 14,848	\$ 2,102	\$ 1,226	\$ 18,175	\$ 13,820	\$ 2,219	\$ 1,155	\$ 17,194	6 %	

⁽¹⁾ 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 ("Janssen"). See Note 7. Collaborations and Other Arrangements of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for additional information.

⁽²⁾ Includes Atripla, Emtriva, Sunlenca and Tybost.

HIV product sales increased 6% to \$18.2 billion in 2023, compared to 2022, primarily due to higher demand across treatment and prevention, in addition to higher average realized price and favorable channel inventory dynamics. In particular, Biktarvy sales increased primarily reflecting higher demand, including patients switching from other Gilead HIV products, as well as higher average realized price. Also, Descovy sales increased primarily driven by favorable channel inventory dynamics and higher demand.

Oncology

Cell Therapy

Cell Therapy product sales increased 28% to \$1.9 billion in 2023, compared to 2022, primarily due to increased Yescarta demand for the treatment of R/R LBCL and increased Tecartus demand for the treatment of R/R adult acute lymphoblastic leukemia and R/R mantle cell lymphoma.

Trodelvy

Trodelvy product sales increased 56% to \$1.1 billion in 2023, compared to 2022, primarily due to higher demand in new and existing geographies.

Liver Disease

Liver Disease product sales decreased 1% to \$2.8 billion in 2023, compared to 2022, primarily due to unfavorable HCV pricing dynamics and foreign exchange rates, partially offset by higher demand across HCV, HDV and HBV products.

Veklury

Veklury product sales decreased 44% to \$2.2 billion in 2023, compared to 2022, primarily due to lower demand driven by lower rates of COVID-19 related hospitalizations in all regions.

Other

Other product sales decreased 9% to \$859 million in 2023, compared to 2022, primarily due to loss of exclusivity for Letairis.

Gross-to-Net Deductions

A substantial portion of our product sales is subject to significant discounts from list price, including government and commercial rebates and chargebacks, as well as other deductions, including patient co-pay assistance, cash discounts for prompt payment, distributor fees, and sales return provisions. These deductions to product sales are generally referred to as gross-to-net deductions and are primarily a function of product sales volume, product mix, contractual or statutory discounts and estimated payer mix.

Rebates and chargebacks are based on contractual arrangements or statutory requirements and include amounts due to payers and healthcare providers under various programs. These amounts may vary by product, payer and individual plans. Providers qualified under certain programs can purchase our products through wholesalers or other distributors at a discount. The wholesalers or distributors then charge the discount back to us.

Other gross-to-net deductions include patient co-pay assistance, cash discounts for prompt payment, distributor fees that we pay under our inventory management agreements with our significant U.S. wholesalers and are based on contractually-determined fixed percentage of sales, and sales return provisions.

Our gross-to-net deductions totaled \$16.4 billion, or 38% of gross product sales in 2023, compared to \$14.6 billion, or 35% of gross product sales in 2022. The increase to 38% was primarily due to changes in product mix, where decreases in Veklury product sales in all regions were offset by increased sales in HIV and oncology products, and changes in payer mix. Of the \$16.4 billion in 2023, \$14.3 billion or 33% of gross product sales was related to rebates and chargebacks, \$2.2 billion or 5% was primarily related to patient co-pay assistance, cash discounts for prompt payment, distributor fees, and sales return provisions. Of the \$14.6 billion in 2022, \$12.6 billion or 30% of gross product sales was related to rebates and chargebacks, \$2.0 billion or 5% was primarily related to patient co-pay assistance, cash discounts for prompt payment, distributor fees, and sales return provisions.

Current year gross-to-net deductions as a percent of gross product sales may not be indicative of future results.

Foreign Currency Exchange Impact

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.

Approximately 26% and 29% of our product sales were denominated in foreign currencies during 2023 and 2022, respectively. Foreign currency exchange, net of hedges, had an unfavorable impact on our total product sales of \$224 million in 2023, based on a comparison using foreign currency exchange rates from 2022.

Royalty, Contract and Other Revenues

Royalty, contract and other revenues decreased 39% to \$182 million in 2023, compared to 2022, primarily due to higher milestone payments received in 2022 and lower royalty revenues in 2023 due to the impact of generic launches.

Costs and Expenses

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

(in millions, except percentages)	Year Ended December 31,		Change
	2023	2022	
Cost of goods sold	\$ 6,498	\$ 5,657	15 %
Product gross margin	75.9 %	79.0 %	-316 bps
Research and development expenses	\$ 5,718	\$ 4,977	15 %
Acquired in-process research and development expenses	\$ 1,155	\$ 944	22 %
In-process research and development impairments	\$ 50	\$ 2,700	(98) %
Selling, general and administrative expenses	\$ 6,090	\$ 5,673	7 %

Product Gross Margin

Product gross margin decreased to 75.9% in 2023, compared to 2022, primarily driven by higher intangible asset amortization expenses related to the pretreated HR+/HER2- metastatic breast cancer indication for Trodelvy following its approval in February 2023, restructuring expenses related to changes in our manufacturing strategy, which resulted in write-offs of certain manufacturing facilities, related inventories and other costs totaling \$479 million, and product mix, partially offset by higher amortization of inventory step-up charges in 2022.

Research and Development Expenses

Research and development ("R&D") expenses consist primarily of personnel costs including salaries, benefits and stock-based compensation expense, infrastructure, materials and supplies and other support costs, research and clinical studies performed by contract research organizations and our collaboration partners and other outside services.

We manage our R&D expenses by identifying the R&D activities we expect to be performed during a given period and then prioritizing efforts based on scientific data, probability of successful technical development and regulatory approval, market potential, available human and capital resources and other considerations. We regularly review our R&D activities 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. We do not track total R&D expenses by product candidate, therapeutic area or development phase.

The following table provides a breakout of expenses by major cost type:

(in millions)	Year Ended December 31,	
	2023	2022
Personnel, infrastructure and other support costs	\$ 3,204	\$ 2,811
Clinical studies and other costs	2,514	2,166
Total	\$ 5,718	\$ 4,977

Research and development expenses increased \$741 million in 2023, compared to 2022. Personnel, infrastructure and other support costs as well as Clinical studies and other costs both increased due to clinical activities primarily related to oncology and virology, including progression and acceleration of trials, as well as new study launches.

Acquired In-Process Research and Development Expenses

Acquired in-process research and development expenses are recorded when incurred and reflect 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 and milestone payments related to various collaborations and the costs of rights to IPR&D projects.

Acquired in-process research and development expenses were \$1.2 billion in 2023, primarily comprised of \$313 million associated with the Arcellx collaboration, \$269 million associated with the Tmunity acquisition, \$218 million associated with the XinThera acquisition, \$97 million associated with the Assembly collaboration and \$60 million associated with the Compugen licensing agreement. Acquired in-process research and development expenses were \$944 million in 2022, primarily comprised of \$389 million associated with the acquisition of MiroBio Ltd, \$315 million associated with the collaboration with Dragonfly Therapeutics, Inc., \$82 million associated with the collaboration with Jounce Therapeutics, Inc. and acquisition of GS-1811, and \$60 million associated with the collaboration with MacroGenics, Inc. See Note 6. Acquisitions and Note 7. Collaborations and Other Arrangements of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for additional information.

In-Process Research and Development Impairments

In-process research and development impairments included \$50 million in 2023 related to a partial impairment charge on our bulevirtide IPR&D intangible asset due to a change in assumptions primarily around probability and timing of regulatory approval, and \$2.7 billion in 2022 related to a partial impairment charge on our HR+/HER2- IPR&D intangible asset.

As of December 31, 2023, approximately \$5.9 billion was assigned to an indefinite-lived IPR&D intangible asset related to Trodelyv for metastatic non-small cell lung cancer ("NSCLC"). In addition to NSCLC, Trodelyv is being explored for potential investigational use in a range of tumor types where Trop-2 is highly expressed. Gilead's clinical development program in metastatic NSCLC includes multiple ongoing registration Phase 3 studies and several ongoing Phase 2 studies for Trodelyv as a first- or second-line indication.

In January 2024, we announced that our Phase 3 EVOKE-01 study of Trodelyv evaluating sacituzumab govitecan-hziy ("SG") did not meet its primary endpoint of overall survival ("OS") in previously treated NSCLC. However, a numerical improvement in OS favoring SG was observed in the study, including in patients with both squamous and non-squamous histology. The safety profile for Trodelyv was consistent with prior studies. In addition, a more than three-month difference in median OS favoring SG was observed in a sub-group of patients non-responsive to last prior anti-PD-(L)1 therapy, representing over 60% of the trial population. This analysis was pre-specified in the protocol, but not alpha-controlled for formal statistical testing and we are continuing to analyze this data. Gilead intends to explore potential pathways to further understand the role SG may have in these patients. We plan to discuss this data with regulators and key opinion leaders to determine the most appropriate next steps.

We believe that this new information represents an indicator of potential impairment in the first quarter of 2024 and, as a result, the fair value of the indefinite-lived IPR&D intangible asset related to Trodelyv may be below its carrying value. We expect to complete an interim impairment assessment of the related IPR&D intangible asset during the first quarter of 2024. To the extent that the estimated fair value is less than the carrying value of the asset, we will be required to record an impairment charge on our Consolidated Statements of Income during the three months ended March 31, 2024. Any such impairment charge, which we are unable to reasonably estimate at this time, could have a material impact on our consolidated results of operations.

Selling, General and Administrative Expenses

Selling, general and administrative expenses are recorded when incurred and consist primarily of personnel costs, facilities and overhead costs, and sales, marketing and advertising expenses, as well as other general and administrative costs related to finance, human resources, legal and other administrative activities.

Selling, general and administrative expenses increased \$417 million in 2023, compared to 2022, primarily due to a \$525 million litigation expense for settlements with certain plaintiffs in the HIV antitrust litigation in the second quarter of 2023 and increased commercial activities in oncology and HIV, partially offset by a \$406 million non-recurring charge in 2022 associated with the termination of the Trodelyv license collaboration agreement with Everest Medicines.

Interest Expense and Other Income (Expense), Net

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

(in millions, except percentages)	Year Ended December 31,		Change
	2023	2022	
Interest expense	\$ (944)	\$ (935)	1 %
Other income (expense), net	\$ 198	\$ (581)	NM

NM - Not Meaningful

Interest expense remained relatively flat in 2023 compared to 2022. See Note 11. Debt and Credit Facilities of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for additional information.

Other income (expense), net in 2023 included \$376 million of interest income, partially offset by \$167 million of net unrealized losses on equity investments. Other income (expense), net in 2022 included \$657 million of net unrealized losses on equity investments, partially offset by \$106 million of interest income.

Income Taxes

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

(in millions, except percentages)	Year Ended December 31,			Change
	2023	2022		
Income before income taxes	\$ 6,859	\$ 5,814	\$ 1,045	
Income tax expense	\$ (1,247)	\$ (1,248)	\$ 2	
Effective tax rate	18.2 %	21.5 %	(3.3)%	

Our effective tax rate decreased in 2023, compared to 2022, primarily due to a decrease in unrecognized tax benefits as a result of reaching agreement with a tax authority on certain tax positions in 2023.

The Organisation for Economic Co-operation and Development has a framework to implement a global minimum corporate tax of 15% for companies with global revenues and profits above certain thresholds (referred to as Pillar Two), with certain aspects effective January 1, 2024 and other aspects effective January 1, 2025. Certain countries in which we operate have adopted Pillar Two legislation and other countries are in the process of introducing legislation to implement Pillar Two. We do not expect Pillar Two to have a material impact on our results of operations, liquidity or capital resources.

Liquidity and Capital Resources

We regularly evaluate our liquidity and capital resources, including our access to external capital, to ensure that we can adequately and efficiently finance our operations.

Liquidity

Cash, cash equivalents, and marketable debt securities were \$8.4 billion and \$7.6 billion as of December 31, 2023 and 2022, respectively. Cash and cash equivalents increased by \$673 million from December 31, 2022 to December 31, 2023.

The following table summarizes our cash flow activities:

(in millions)	Year Ended December 31,		
	2023	2022	
Net cash provided by (used in):			
Operating activities	\$ 8,006	\$ 9,072	
Investing activities	\$ (2,265)	\$ (2,466)	
Financing activities	\$ (5,125)	\$ (6,469)	
Effect of exchange rate changes on cash and cash equivalents	\$ 57	\$ (63)	

Operating Activities

Net cash provided by operating activities is derived by adjusting our net income for non-cash items and changes in operating assets and liabilities. Net cash provided by operating activities was \$8.0 billion in 2023, compared to \$9.1 billion in 2022. The change was primarily due to higher income tax payments and higher inventory and operating spend, which includes HIV antitrust litigation settlement payments, in 2023, reduced by the effect of a non-recurring payment of a \$1.25 billion settlement related to bictegravir litigation in 2022 and higher collections in 2023.

Investing Activities

Net cash used in investing activities was \$2.3 billion in 2023, compared to \$2.5 billion in 2022. The change was primarily due to a decrease in acquisition spend, including acquired IPR&D, and capital expenditures, partially offset by higher net purchases of marketable debt and equity securities.

Financing Activities

Net cash used in financing activities was \$5.1 billion in 2023, compared to \$6.5 billion in 2022. In 2023, we utilized cash of \$2.3 billion for debt repayments, \$3.8 billion for dividend payments and \$1.0 billion for common stock repurchases. These were partially offset by \$2.0 billion in proceeds from the issuance of senior unsecured notes in September 2023, net of issuance costs. In 2022, we utilized cash of \$1.5 billion for debt repayments, \$3.7 billion for dividend payments, and \$1.4 billion for common stock repurchases.

Capital Resources

We believe our existing capital resources, including cash and cash equivalents, marketable debt securities and our revolving credit facility, supplemented by cash flows generated from our operations, will be adequate to satisfy our capital needs for the foreseeable future.

As of December 31, 2023, our material cash requirements consisted primarily of the repayment of outstanding borrowings, income tax payments, including the remaining obligations for the one-time repatriation transition tax from the Tax Cuts and Jobs Act, purchases of inventory, operating lease obligations, capital expenditures and milestone and other payments related to our collaborative agreements. See Notes 6. Acquisitions, 7. Collaborations and Other Arrangements, 11. Debt and Credit Facilities, 12. Leases, 13. Commitments and Contingencies and 16. Income Taxes of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for additional information. We enter into certain unconditional purchase obligations, capital expenditure projects and other commitments in the normal course of business. There have been no changes to these commitments during the year that would have a material impact on the company's ability to meet either short-term or long-term cash requirements.

Our future capital requirements will depend on many factors, including but not limited to the following:

- the commercial performance of our current and future products;
- the progress and scope of our R&D efforts, including preclinical studies and clinical trials;
- the cost, timing and outcome of regulatory reviews;
- the expansion of our sales and marketing capabilities;
- the possibility of acquiring additional manufacturing capabilities or office facilities;
- the possibility of acquiring other companies or new products;
- debt service requirements;
- future dividends subject to declaration by our Board of Directors;
- the establishment of additional collaborative relationships with other companies; and
- costs associated with the defense, settlement and adverse results of government investigations and litigation.

We may in the future require additional funding, which could be in the form of proceeds from equity or debt financings. If such funding is required, we cannot guarantee that it will be available to us on favorable terms, if at all. 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.

Critical Accounting Estimates

See Note 1. Organization and Summary of Significant Accounting Policies of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for information about our significant accounting policies and how estimates are involved in the preparation of our financial statements. We believe the following reflect the critical accounting estimates used in the preparation of our Consolidated Financial Statements.

Rebates and Chargebacks

Rebates and chargebacks are determined using a complex estimation process which requires significant judgment by management in part due to the lag between the date of the product sales and the date the related rebates or chargeback claims are settled. Rebates and chargebacks are based on contractual arrangements or statutory requirements and include amounts due to payers and healthcare providers under various programs. These amounts may vary by product, payer and individual plans. Rebates and chargebacks are estimated primarily based on product sales, and expected payer mix and discount rates, which require significant estimates and judgment. In developing our estimates of rebates and chargebacks, we consider the following:

- product sales, including product mix and pricing;
- historical and estimated payer mix;
- statutory discount requirements and contractual terms;
- historical claims experience and processing time lags;
- estimated patient population;
- known market events or trends;
- market research;
- channel inventory data obtained from our major U.S. wholesalers; and
- other pertinent internal or external information.

The following table summarizes the consolidated activities and ending balances in our rebates and chargebacks accounts, including adjustments made relating to previous years' sales as a result of changes in estimates:

(in millions)	Balance at Beginning of Year	Decrease/(Increase) to Product Sales	Payments	Balance at End of Year
Year ended December 31, 2023:				
Activity related to 2023 sales	\$ —	\$ 14,577	\$ (10,389)	\$ 4,187
Activity related to sales prior to 2023	4,028	(302)	(3,421)	306
Total	\$ 4,028	\$ 14,275	\$ (13,810)	\$ 4,493
Year ended December 31, 2022:				
Activity related to 2022 sales	\$ —	\$ 13,040	\$ (9,442)	\$ 3,598
Activity related to sales prior to 2022	3,915	(418)	(3,067)	430
Total	\$ 3,915	\$ 12,622	\$ (12,509)	\$ 4,028

We assess and update our estimates each reporting period to reflect actual claims and other current information. Historically, our actual rebates and chargebacks claimed for prior years have varied by less than 5% from our estimates. However, historical results are not indicative of future results.

Valuation of Intangible Assets

Determining the fair values of intangible assets, whether as part of a business combination or impairment assessment, involves the use of a probability-weighted income approach that discounts expected future cash flows to present value and requires the use of critical estimated inputs, including:

- identification of product candidates with sufficient substance requiring separate recognition;
- estimates of projected future cash flows, including revenues and operating profits related to the products or product candidates, which, for example, include significant inputs such as addressable patient population, treatment duration and projected market share;
- the probability of technical and regulatory success for unapproved product candidates considering their stages of development;
- the time and resources needed to complete the development and approval of product candidates;
- an appropriate discount rate based on the estimated weighted-average cost of capital for companies with profiles similar to our profile, representing the rate that market participants would use to value the intangible assets;
- the life of the potential commercialized products and associated risks, including the inherent difficulties and uncertainties in developing a product candidate such as obtaining FDA and other regulatory approvals; and
- risks related to the viability of and potential alternative treatments in any future target markets.

These estimates are subject to uncertainty due to the high rate of failure inherent in the discovery and development of new products; delays that can occur in development, approval and product launch processes; unanticipated decisions made by regulatory agencies; advent of competing products; unexpected changes in U.S. and global financial markets and other unanticipated events and circumstances. If future events result in adverse changes in the critical assumptions used in determining fair value, impairment charges on our intangible assets may be recorded and could be material to our financial statements. For example, in 2022, we recognized a \$2.7 billion impairment charge related to our HR+/HER2- IPR&D intangible asset related to an expected delay in launch timing which caused a decrease in our market share assumptions based on the expected competitive environment.

Legal Contingencies

We are a party to various legal actions. Certain significant matters are described in Note 13. Commitments and Contingencies of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Critical inputs to the accruals recorded and disclosures provided in relation to these matters include the probability of a certain outcome of the case, the determination as to whether an exposure is reasonably estimable and the amount of potential exposure. These inputs are subject to uncertainty due to changes in the legal facts and circumstances of the case, status of the proceedings, applicable law, the views of legal counsel and the views of any judges or jury involved in the case. Upon the final resolution of such matters, it is possible that there may be a loss in excess of the amount recorded, and such amounts could have a material adverse effect on our results of operations, cash flows or financial position. We periodically reassess these matters when additional information becomes available and adjust our estimates and assumptions when facts and circumstances indicate the need for any changes. For example, in the second quarter of 2023, we recorded an accrual of \$525 million in Other current liabilities on our Consolidated Balance Sheets for settlements with certain plaintiffs in the HIV antitrust litigation, which we paid in the second half of 2023.

Income Taxes

We are subject to income taxes in the U.S. and various foreign jurisdictions, including Ireland. Critical inputs in determining our provision for income taxes and related tax balances include forecasts of our future income and expenses, potential tax planning strategies and determination of the probability of certain tax positions being sustained upon examination by tax authorities. These inputs are subject to uncertainty due to potential changes in facts and circumstances, economic and political conditions, changes to existing tax laws and new regulations or interpretations by tax authorities. Changes in these conditions could have a material adverse impact on our results of operations and financial position. See Note 16, Income Taxes of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for additional information.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks that may result from changes in foreign currency exchange rates, interest rates and credit and equity prices. To reduce certain of these risks, we enter into various types of foreign currency derivative hedging transactions, follow investment guidelines and monitor outstanding receivables as part of our risk management program. We may also enter into other transactions, such as interest rate derivative hedges, as needed.

Foreign Currency Exchange Rate Risk

We have operations in more than 35 countries worldwide. As a result, our financial results could be significantly affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which we distribute our products. Our operating results are exposed to changes in foreign currency exchange rates between the U.S. dollar and various foreign currencies, the most significant of which is the Euro. When the U.S. dollar strengthens against these currencies, the relative value of sales made in the respective foreign currency decreases. Conversely, when the U.S. dollar weakens against these currencies, the relative value of such sales increases. 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.

Approximately 26% of our product sales were denominated in foreign currencies during 2023. To partially mitigate the impact of changes in currency exchange rates on net cash flows from our foreign currency denominated sales, we enter into foreign currency exchange forward contracts. We also hedge certain monetary assets and liabilities denominated in foreign currencies, which reduces but does not eliminate our exposure to currency fluctuations between the date a transaction is recorded and the date that cash is collected or paid. In general, the market risks of these contracts are offset by corresponding gains and losses on the transactions being hedged.

As of December 31, 2023 and 2022, we had open foreign currency forward contracts with notional amounts of \$2.5 billion and \$3.0 billion, respectively. A hypothetical 10% adverse movement in foreign currency exchange rates compared with the U.S. dollar relative to exchange rates as of December 31, 2023 and 2022 would have resulted in a reduction in fair value of these contracts of approximately \$328 million and \$299 million, respectively, and if realized, would have negatively affected earnings over the remaining life of the contracts. The analysis does not consider the impact that hypothetical changes in foreign currency exchange rates would have on anticipated transactions that these foreign currency sensitive instruments were designed to offset.

Interest Rate and Credit Risk

Our portfolio of available-for-sale debt securities and our long-term borrowings are exposed to interest rate and credit risk.

With respect to our investment portfolio, we adhere to an investment policy that requires us to limit amounts invested in securities based on credit rating, maturity, industry group and investment type and issuer, except for securities issued by the U.S. government. 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.

The fair value of our available-for-sale debt securities is subject to change as a result of potential changes in market interest rates. The fair value of our portfolio of available-for-sale debt securities would not be significantly affected by either a 10% increase or decrease in interest rates primarily due to the short-term nature of the portfolio. We do not believe that the future market risks related to our securities will have a material adverse impact on our financial position, results of operations, or liquidity.

Our senior unsecured notes have fixed interest rates. As such, there is no financial interest rate exposure. The fair value of these senior unsecured notes and our liability related to future royalties as part of our 2020 acquisition of Immunomedics, Inc. are exposed to fluctuations in interest rates. The current fair value of our debt portfolio and liability related to future royalties are \$22.6 billion and \$1.2 billion, respectively. The fair value will decrease as interest rates increase. The fair value will increase as interest rates decrease. Additionally, we have a \$2.5 billion five-year revolving credit facility that matures in June 2025. Loans under our revolving credit facility bear interest at either (i) the Term Secured Overnight Financing Rate plus the Applicable Percentage, or (ii) the Base Rate plus the Applicable Percentage, each as defined in the revolving credit facility agreement. There were no amounts outstanding under the revolving credit facility as of December 31, 2023. As such, there is currently no financial interest rate exposure.

Equity Price Risk

We hold shares of common stock of certain publicly traded biotechnology companies primarily in connection with license and collaboration agreements. These equity securities are measured at fair value with any changes in fair value recognized in earnings.

The fair value of these equity securities was approximately \$1.5 billion and \$1.2 billion as of December 31, 2023 and 2022, respectively. Changes in fair value of these equity securities are impacted by the volatility of the stock market and changes in general economic conditions, among other factors. A hypothetical 20% increase or decrease in the stock prices of these equity securities would have increased or decreased their fair value as of December 31, 2023 and 2022 by approximately \$292 million and \$239 million, respectively.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

GILEAD SCIENCES, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Years Ended December 31, 2023, 2022 and 2021

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Gilead Sciences, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Gilead Sciences, Inc. (the Company) as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 23, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Government and commercial rebates

Description of the Matter

As more fully described in Note 1, the Company estimates reductions to its revenues for amounts payable to payers and healthcare providers in the United States under various government and commercial rebate programs in the period that the related sales occur. Rebates may vary by product, payer and individual payer plans, some of which may not be known at the point of sale. Estimated reductions to revenue are based on product sales, historical and expected payer mix, discount rates, and various other estimated and actual data, adjusted for current period expectations.

Auditing the Company's estimated reductions to revenue for rebates was complex and involved significant judgment, particularly in assessing the reasonableness of estimated payer mix applied to sales during the period. This estimate relies heavily on historical data that is adjusted for changes in payer mix expectations over time.

*How We Addressed the
Matter in Our Audit*

We evaluated and tested the design and operating effectiveness of the Company's internal controls over management's estimation and review of reductions from revenue for rebate programs, including controls to assess the payer mix assumption. We also tested the completeness and accuracy of data utilized in the controls, and the accuracy of calculations supporting management's estimates.

To test management's estimation methodology for determining the payer mix, our audit procedures included, among others, analytically evaluating management's estimates, evaluating evidence contrary to the estimated amounts, performing a sensitivity analysis on the rates used in the estimates and performing a comparison of actual payments related to amounts accrued during the current and prior years.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1988.

San Mateo, California

February 23, 2024

GILEAD SCIENCES, INC.
CONSOLIDATED BALANCE SHEETS

(in millions, except per share amounts)	December 31,	
	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,085	\$ 5,412
Short-term marketable debt securities	1,179	973
Accounts receivable, net	4,660	4,777
Inventories	1,787	1,507
Prepaid and other current assets	2,374	1,774
Total current assets	16,085	14,443
Property, plant and equipment, net	5,317	5,475
Long-term marketable debt securities	1,163	1,245
Intangible assets, net	26,454	28,894
Goodwill	8,314	8,314
Other long-term assets	4,792	4,800
Total assets	\$ 62,125	\$ 63,171
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 550	\$ 905
Accrued rebates	3,802	3,479
Other current liabilities	5,130	4,580
Current portion of long-term debt and other obligations, net	1,798	2,273
Total current liabilities	11,280	11,237
Long-term debt, net	23,189	22,957
Long-term income taxes payable	2,039	3,916
Deferred tax liability	1,588	2,673
Other long-term obligations	1,280	1,179
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, par value \$ 0.001 per share; 5 shares authorized; no ne outstanding	—	—
Common stock, par value \$ 0.001 per share; 5,600 authorized; 1,246 and 1,247 shares issued and outstanding, respectively	1	1
Additional paid-in capital	6,500	5,550
Accumulated other comprehensive income	28	2
Retained earnings	16,304	15,687
Total Gilead stockholders' equity	22,833	21,240
Noncontrolling interest	(84)	(31)
Total stockholders' equity	22,749	21,209
Total liabilities and stockholders' equity	\$ 62,125	\$ 63,171

See accompanying notes.

GILEAD SCIENCES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share amounts)	Year Ended December 31,		
	2023	2022	2021
Revenues:			
Product sales	\$ 26,934	\$ 26,982	\$ 27,008
Royalty, contract and other revenues	182	299	297
Total revenues	27,116	27,281	27,305
Costs and expenses:			
Cost of goods sold	6,498	5,657	6,601
Research and development expenses	5,718	4,977	4,601
Acquired in-process research and development expenses	1,155	944	939
In-process research and development impairments	50	2,700	—
Selling, general and administrative expenses	6,090	5,673	5,246
Total costs and expenses	19,511	19,951	17,387
Operating income	7,605	7,330	9,918
Interest expense	(944)	(935)	(1,001)
Other income (expense), net	198	(581)	(639)
Income before income taxes	6,859	5,814	8,278
Income tax expense	(1,247)	(1,248)	(2,077)
Net income	5,613	4,566	6,201
Net loss attributable to noncontrolling interest	52	26	24
Net income attributable to Gilead	\$ 5,665	\$ 4,592	\$ 6,225
Basic earnings per share attributable to Gilead	\$ 4.54	\$ 3.66	\$ 4.96
Shares used in basic earnings per share attributable to Gilead calculation	1,248	1,255	1,256
Diluted earnings per share attributable to Gilead	\$ 4.50	\$ 3.64	\$ 4.93
Shares used in diluted earnings per share attributable to Gilead calculation	1,258	1,262	1,262

See accompanying notes.

GILEAD SCIENCES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)	Year Ended December 31,		
	2023	2022	2021
Net income:	\$ 5,613	\$ 4,566	\$ 6,201
Other comprehensive income (loss), net:			
Net foreign currency translation gain (loss)	60	(11)	(38)
Available-for-sale debt securities:			
Net unrealized gain (loss), net of tax impact of \$ 0 , \$ 0 and \$(1), respectively	26	(30)	(6)
Reclassifications to net income, net of tax impact of \$ 0 , \$ 0 and \$ 0 , respectively	2	1	—
Net change	28	(29)	(6)
Cash flow hedges:			
Net unrealized (loss) gain, net of tax impact of \$(2), \$ 20 and \$ 18 , respectively	(12)	130	129
Reclassifications to net income, net of tax impact of \$ 7 , \$ 25 and \$(9), respectively	(51)	(171)	58
Net change	(62)	(41)	187
Other comprehensive income (loss), net	26	(81)	143
Comprehensive income, net	5,639	4,485	6,344
Comprehensive loss attributable to noncontrolling interest, net	52	26	24
Comprehensive income attributable to Gilead, net	\$ 5,691	\$ 4,511	\$ 6,368

See accompanying notes.

GILEAD SCIENCES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in millions, except per share amounts)	Gilead Stockholders' Equity							Total	
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)		Retained Earnings	Noncontrolling Interest		
	Shares	Amount						Stockholders' Equity	
Balance as of December 31, 2020	1,254	\$ 1	\$ 3,880	\$ (60)	\$ 14,381	\$ 19	\$ 18,221		
Net income (loss)	—	—	—	—	6,225	(24)	6,201		
Other comprehensive income, net	—	—	—	143	—	—	—	143	
Issuances under employee stock purchase plan	2	—	111	—	—	—	—	111	
Issuances under equity incentive plans	9	—	58	—	—	—	—	58	
Stock-based compensation	—	—	640	—	—	—	—	640	
Repurchases of common stock under repurchase programs (\$ 66.58 average price per share)	(8)	—	(28)	—	(518)	—	—	(546)	
Repurchases of common stock for employee tax withholding under equity incentive plans and other	(3)	—	—	—	(146)	—	—	(146)	
Dividends declared (\$ 2.84 per share)	—	—	—	—	(3,618)	—	—	(3,618)	
Balance as of December 31, 2021	1,254	1	4,661	83	16,324	(5)	21,064		
Net income (loss)	—	—	—	—	4,592	(26)	4,566		
Other comprehensive loss, net	—	—	—	(81)	—	—	—	(81)	
Issuances under employee stock purchase plan	2	—	103	—	—	—	—	103	
Issuances under equity incentive plans	13	—	211	—	—	—	—	211	
Stock-based compensation	—	—	640	—	—	—	—	640	
Repurchases of common stock under repurchase programs (\$ 73.77 average price per share)	(19)	—	(65)	—	(1,331)	—	—	(1,396)	
Repurchases of common stock for employee tax withholding under equity incentive plans and other	(3)	—	—	—	(173)	—	—	(173)	
Dividends declared (\$ 2.92 per share)	—	—	—	—	(3,725)	—	—	(3,725)	
Balance as of December 31, 2022	1,247	1	5,550	2	15,687	(31)	21,209		
Net income (loss)	—	—	—	—	5,665	(52)	5,613		
Other comprehensive income, net	—	—	—	26	—	—	—	26	
Issuances under employee stock purchase plan	2	—	129	—	—	—	—	129	
Issuances under equity incentive plans	13	—	99	—	—	—	—	99	
Stock-based compensation	—	—	767	—	—	—	—	767	
Repurchases of common stock under repurchase programs (\$ 79.52 average price per share)	(13)	—	(45)	—	(955)	—	—	(1,000)	
Repurchases of common stock for employee tax withholding under equity incentive plans and other	(4)	—	—	—	(279)	—	—	(279)	
Dividends declared (\$ 3.00 per share)	—	—	—	—	(3,814)	—	—	(3,814)	
Balance as of December 31, 2023	<u>1,246</u>	<u>\$ 1</u>	<u>\$ 6,500</u>	<u>\$ 28</u>	<u>\$ 16,304</u>	<u>\$ (84)</u>	<u>\$ 22,749</u>		

See accompanying notes.

GILEAD SCIENCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	Year Ended December 31,		
	2023	2022	2021
Operating Activities:			
Net income	\$ 5,613	\$ 4,566	\$ 6,201
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense	354	323	329
Amortization expense	2,339	1,780	1,721
Stock-based compensation expense	766	637	635
Deferred income taxes	(962)	(1,552)	(116)
Net loss from equity securities	167	657	610
Acquired in-process research and development expenses	1,155	944	939
In-process research and development impairment	50	2,700	—
Other	826	780	576
Changes in operating assets and liabilities:			
Accounts receivable, net	157	(406)	313
Inventories	(842)	(310)	11
Prepaid expenses and other	39	(134)	(45)
Accounts payable	(347)	226	(118)
Income tax assets and liabilities, net	(1,768)	(364)	(361)
Accrued and other liabilities	458	(775)	689
Net cash provided by operating activities	8,006	9,072	11,384
Investing Activities:			
Purchases of marketable debt securities	(1,930)	(1,770)	(3,517)
Proceeds from sales of marketable debt securities	510	412	730
Proceeds from maturities of marketable debt securities	1,334	1,590	2,180
Acquisitions, including in-process research and development, net of cash acquired	(1,152)	(1,797)	(1,584)
Purchases of equity securities	(442)	(172)	(380)
Capital expenditures	(585)	(728)	(579)
Other	(1)	(1)	19
Net cash used in investing activities	(2,265)	(2,466)	(3,131)
Financing Activities:			
Proceeds from debt financing, net of issuance costs	1,980	—	—
Proceeds from issuances of common stock	232	309	169
Repurchases of common stock under repurchase programs	(1,000)	(1,396)	(546)
Repayments of debt and other obligations	(2,250)	(1,500)	(4,750)
Payments of dividends	(3,809)	(3,709)	(3,605)
Other	(279)	(173)	(145)
Net cash used in financing activities	(5,125)	(6,469)	(8,877)
Effect of exchange rate changes on cash and cash equivalents	57	(63)	(35)
Net change in cash and cash equivalents	673	74	(659)
Cash and cash equivalents at beginning of period	5,412	5,338	5,997
Cash and cash equivalents at end of period	<u>\$ 6,085</u>	<u>\$ 5,412</u>	<u>\$ 5,338</u>
Supplemental disclosure of cash flow information:			
Interest paid, net of amounts capitalized	\$ 891	\$ 907	\$ 979
Income taxes paid	\$ 3,990	\$ 3,136	\$ 2,509

See accompanying notes.

GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Gilead Sciences, Inc. (including its consolidated subsidiaries, referred to as "Gilead," the "company," "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, coronavirus disease 2019 ("COVID-19") and cancer. We operate in more than 35 countries worldwide, with headquarters in Foster City, California.

Our portfolio of marketed products includes AmBisome®, Atripla®, Biktarvy®, Cayston®, Complera®, Descovy®, Descovy for PrEP®, Emtriva®, Eplclusa®, Eviplera®, Genvoya®, Harvoni®, Hepcludex®, Hepsera®, Jyseleca®, Letairis®, Odefsey®, Sovaldi®, Stribild®, Sunlenca®, Tecartus®, Trodelvy®, Truvada®, Truvada for PrEP®, Tybost®, Veklury®, Vemlidy®, Viread®, Vosevi®, Yescarta® and Zydelig®. The approval status of Hepcludex and Jyseleca vary worldwide, and Hepcludex and Jyseleca are not approved in the U.S. We also sell and distribute authorized generic versions of Eplclusa and Harvoni in the U.S. through our separate subsidiary, Asegua Therapeutics, LLC. In addition, we sell and distribute certain products through our corporate partners under collaborative agreements. See Note 2. Revenues for a summary of disaggregated revenues by product and geographic region.

We have one operating segment which primarily 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 our 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, scientific data, probability of technical and regulatory successful development, market potential and other considerations, and, as necessary, reallocate resources among our internal R&D portfolio and external opportunities to best support the long-term growth of our business.

Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles and include the accounts of Gilead, our wholly-owned subsidiaries and any variable interest entities ("VIEs") for which we are the primary beneficiary. All intercompany transactions have been eliminated. For any consolidated entities where we own or are exposed to less than 100% of the economics, we record net income or loss attributable to noncontrolling interests in our Consolidated Statements of Income equal to the attributable economic or ownership interest retained in such entities by the respective noncontrolling parties.

When we obtain a variable interest in another entity, we assess at the inception of the relationship and upon occurrence of certain significant events whether the entity is a VIE and, if so, whether we are the primary beneficiary of the VIE 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 preparation of these Consolidated Financial Statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures. On an ongoing basis, we evaluate our significant accounting policies and estimates. We base our estimates on historical experience and on various market-specific and other relevant assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Estimates are assessed each period and updated to reflect current information. Actual results may differ significantly from these estimates.

Beginning in the first quarter of 2023, we reclassified changes in income taxes prepaid and receivable from Prepaid expenses and other to combine them with changes in income taxes payable as Income tax assets and liabilities, net within Operating Activities on our Consolidated Statements of Cash Flows. We believe this presentation assists users of the financial statements to better understand cash flow movements. Prior periods have been revised to reflect this change, resulting in a reclassification of \$ 204 million and \$ 3 million from Prepaid expenses and other for the years ended December 31, 2022 and 2021, respectively.

Certain amounts and percentages herein may not sum or recalculate due to rounding.

Revenue Recognition

Product Sales

We recognize revenue from product sales when control of the product transfers to the customer, which is generally upon shipment or delivery, or in certain cases, upon the corresponding sales by our customer to a third party. Revenues are recognized net of estimated rebates and chargebacks, patient co-pay assistance, prompt pay discounts, distributor fees, sales return provisions and other related deductions. These deductions to product sales are referred to as gross-to-net deductions and are estimated and recorded in the period in which the related product sales occur. Our payment terms to customers generally range from 30 to 90 days; however, payment terms differ by jurisdiction, by customer and, in some instances, by type of product. Revenues from product sales, net of gross-to-net deductions, are recorded only to the extent a significant reversal in the amount of cumulative revenue recognized is not probable of occurring when the uncertainty associated with gross-to-net deductions is subsequently resolved. Taxes assessed by governmental authorities and collected from customers are excluded from product sales. If we expect, at contract inception, that the period between the transfer of control and corresponding payment from the customer will be one year or less, we do not adjust the amount of consideration for the effects of a financing component. Shipping and handling activities are considered to be fulfillment activities and not a separate performance obligation.

Gross-to-Net Deductions

Rebates and Chargebacks

Rebates and chargebacks are based on contractual arrangements or statutory requirements and include amounts due to payers and healthcare providers under various programs. These amounts may vary by product, payer and individual plans. Providers qualified under certain programs can purchase our products through wholesalers or other distributors at a discount. The wholesalers or distributors then charge the discount back to us.

Rebates and chargebacks are estimated primarily based on product sales, including product mix and pricing, historical and estimated payer mix and discount rates, among other inputs, which require significant estimates and judgment. We assess and update our estimates each reporting period to reflect actual claims and other current information.

Chargebacks that are payable to our direct customers are generally classified as reductions of Accounts receivable on our Consolidated Balance Sheets. Rebates that are payable to third party payers and healthcare providers are recorded in Accrued rebates on our Consolidated Balance Sheets.

Patient Co-Pay Assistance

Co-pay assistance represents financial assistance to qualified patients, assisting them with prescription drug co-payments required by insurance. Our accrual for copay is based on an estimate of claims and the cost per claim that we expect to receive associated with inventory that exists in the distribution channel at period end.

Cash Discounts

We estimate cash discounts based on contractual terms, historical customer payment patterns and our expectations regarding future customer payment patterns.

Distributor Fees

Under our inventory management agreements with our significant U.S. wholesalers, we pay the wholesalers a fee primarily for compliance with certain contractually-determined covenants such as the maintenance of agreed-upon inventory levels. These distributor fees are based on a contractually-determined fixed percentage of sales.

Allowance for Sales Returns

Allowances are made for estimated sales returns by our customers and are recorded in the period the related revenue is recognized. We typically permit returns if the product is damaged, defective, or otherwise cannot be used by the customer. In the U.S., we typically permit returns six months prior to and up to one year after the product expiration date. Outside the U.S., returns are only allowed in certain countries on a limited basis.

Our estimates of sales returns are based primarily on analysis of our historical product return patterns, industry information reporting the return rates for similar products and contractual agreement terms. We also take into consideration known or expected changes in the marketplace specific to each product.

Royalty, Contract and Other Revenues

Royalty revenue is recognized in the period in which the obligation is satisfied and the corresponding sales by our corporate partners occur. Contract and other revenues are recognized when the performance obligation is satisfied.

Research and Development Expenses

Research and development expenses are recorded when incurred and consist primarily of personnel costs including salaries, benefits and stock-based compensation expense, infrastructure, materials and supplies and other support costs, research and clinical studies performed by contract research organizations ("CROs") and our collaboration partners and other outside services. From time to time, we enter into development and collaboration agreements in which we share expenses with a collaborative partner. We record payments received from our collaborative partners for their share of the development costs as a reduction of Research and development expenses.

Clinical study costs are a significant component of Research and development expenses. Most of our clinical studies are performed by third-party CROs. We monitor levels of performance under each significant contract including the extent of patient enrollment and other activities through communications with our CROs. We accrue costs for clinical studies performed by CROs over the service periods specified in the contracts and adjust our estimates, if required, based upon our ongoing review of the level of effort and costs actually incurred by the CROs. All of our material CRO contracts are terminable by us upon written notice and we are generally only liable for actual services completed by the CRO and certain non-cancelable expenses incurred at any point of termination. Payments we make for R&D services prior to the services being rendered are recorded as prepaid assets within Prepaid and other current assets on our Consolidated Balance Sheets and are expensed as the services are provided.

Acquired In-Process Research and Development Expenses

Acquired in-process research and development expenses are recorded when incurred and reflect costs of externally-developed in-process research and development ("IPR&D") projects, acquired directly in a transaction other than a business combination, that do not have an alternative future use, including upfront and milestone payments related to various collaborations and the costs of rights to IPR&D projects.

Selling, General and Administrative Expenses

Selling, general and administrative expenses are recorded when incurred and consist primarily of personnel costs, facilities and overhead costs, and sales, marketing and advertising expenses, as well as other general and administrative costs related to finance, human resources, legal and other administrative activities.

Advertising expenses within Selling, general and administrative expenses, including promotional expenses, are recorded when incurred and were \$ 826 million, \$ 778 million and \$ 735 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Stock-Based Compensation

We provide stock-based compensation in the form of various types of equity-based awards, including restricted stock units ("RSUs"), performance share units ("PSUs") and stock options, and through our Employee Stock Purchase Plan and the International Employee Stock Purchase Plan (together, as amended, the "ESPP"). Stock-based compensation expense is based on the estimated fair value of the award on the grant date, or the first date of the ESPP purchase period, and recognized over the requisite service periods on our Consolidated Statements of Income using the straight-line expense attribution approach, reduced for estimated forfeitures. We estimate forfeitures based on our historical experience. The requisite service period could be shorter than the vesting period if an employee is retirement eligible or if an employee terminates due to death or disability.

The estimated fair value of RSUs is based on the closing price of our common stock on the grant date. For PSUs, depending on the terms of the award, fair value on the date of grant is determined based on either the Monte Carlo valuation methodology or the closing stock price on the date of grant. For stock option and ESPP awards, estimated fair value is based on the Black-Scholes option valuation model. Estimated inputs to that model include (i) expected volatility, based on a blend of historical volatility of our common stock price along with implied volatility for traded options on our common stock, (ii) expected term in years, based on the weighted-average period awards are expected to remain outstanding using historical cancellation and exercise data, contractual terms and vesting terms of the award, (iii) risk-free interest rate, based on observed interest rates appropriate for the term of the stock-based awards, and (iv) expected dividend yield, based on our history and expectation of dividend payments.

Earnings Per Share

Basic earnings per share attributable to Gilead is calculated based on Net income attributable to Gilead on our Consolidated Statements of Income divided by the weighted-average number of shares of our common stock outstanding during the period. Diluted earnings per share attributable to Gilead is calculated based on Net income attributable to Gilead on our Consolidated Statements of Income divided by 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 are determined under the treasury stock method.

Cash and Cash Equivalents

We consider highly liquid investments with insignificant interest rate risk and an original maturity of three months or less on the purchase date to be cash equivalents.

Marketable Debt Securities

All of our marketable debt securities are classified as available-for-sale and recorded at estimated fair values. We determine the appropriate classification of our marketable debt securities at the time of purchase and reevaluate such designation at each balance sheet date. Unrealized gains and losses on available-for-sale debt securities are reported in Accumulated other comprehensive income on our Consolidated Balance Sheets until realized, at which point they are reclassified into Other income (expense), net on our Consolidated Statements of Income. We regularly review our investments for declines in fair value below their amortized cost basis to determine whether the impairment is due to credit-related factors or noncredit-related factors. Our review includes the creditworthiness of the security issuers, the severity of the unrealized losses, whether we have the intent to sell the securities and whether it is more likely than not that we will be required to sell the securities before the recovery of their amortized cost bases. When we determine that a portion of the unrealized loss is due to an expected credit loss, we recognize the loss amount in Other income (expense), net, with a corresponding allowance against the carrying value of the security we hold. The portion of the unrealized loss related to factors other than credit losses is recognized in Accumulated other comprehensive income. Interest and amortization of purchase premiums and discounts are also recorded in Other income (expense), net on our Consolidated Statements of Income. The cost of securities sold is based on the specific identification method.

Accounts Receivable

Trade accounts receivable are recorded net of allowances for wholesaler chargebacks related to government and other programs, cash discounts for prompt payment and estimated 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.

Inventories

Inventories are recorded at the lower of cost or net realizable value, with cost determined on a first-in, first-out basis. We periodically review our inventories to identify obsolete, slow-moving, excess or otherwise unsaleable items. If obsolete, slow-moving, excess or unsaleable items are observed and there are no alternate uses for the inventory, we record a write-down to net realizable value through a charge to Cost of goods sold on our Consolidated Statements of Income. The determination of net realizable value requires judgment, including consideration of many factors, such as estimates of future product demand, product net selling prices, current and future market conditions and potential product obsolescence, among others.

When future commercialization is considered probable and the future economic benefit is expected to be realized, based on management's judgment, we capitalize pre-launch inventory costs prior to regulatory approval. A number of factors are considered, including the current status in the regulatory approval process, potential impediments to the approval process such as safety or efficacy, anticipated R&D initiatives that could impact the indication in which the compound will be used, viability of commercialization and marketplace trends.

Equity Securities

Equity securities with readily determinable fair values, including those for which we have elected the fair value option, are recorded at fair market value, and unrealized gains and losses are included in Other income (expense), net on our Consolidated Statements of Income.

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. Any impairments or adjustments are recorded in Other income (expense), net on our Consolidated Statements of Income.

For investments in entities over which we have significant influence but do not meet the requirements for consolidation and have not elected the fair value option, we use the equity method of accounting, with our share of the underlying income or loss of such entities reported in Other income (expense), net on our Consolidated Statements of Income.

Our investments in equity securities are classified in Prepaid and other current assets or Other long-term assets on our Consolidated Balance Sheets, generally depending on marketability and whether the securities are subject to lock-up provisions. We regularly review our securities for indicators of impairment.

Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and amortization. Depreciation and amortization are recognized using the straight-line method. Repairs and maintenance costs are expensed as incurred. Estimated useful lives in years are generally as follows:

Description	Estimated Useful Life
Buildings and improvements	Shorter of 35 years or useful life
Laboratory and manufacturing equipment	4 - 10
Office, computer equipment and other	3 - 15
Leasehold improvements	Shorter of useful life or lease term

See "Impairment of Long-Lived Assets" for additional information.

Leases

We determine if an arrangement contains a lease at inception and classify each lease as operating or financing. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of the lease payments over the lease term, which is the non-cancelable period stated in the contract adjusted for any options to extend or terminate when it is reasonably certain that we will exercise that option. Right-of-use assets are adjusted for prepaid lease payments, lease incentives and initial direct costs incurred. Operating lease expense for the minimum lease payments is recognized on a straight-line basis over the lease term.

We account for lease and nonlease components in our lease agreements as a single lease component in determining lease assets and liabilities. In addition, we do not recognize the right-of-use assets and liabilities for leases with lease terms of one year or less.

As most of our operating leases do not provide an implicit interest rate, we generally utilize a collateralized incremental borrowing rate, applied in a portfolio approach when relevant, based on the information available at the commencement date to determine the lease liability.

Acquisitions, including Goodwill, Intangible Assets and Contingent Consideration

We account for business combinations using the acquisition method of accounting, which generally requires that assets acquired, including IPR&D projects, and liabilities assumed be recorded at their fair values as of the acquisition date on our Consolidated Balance Sheets. Any excess of consideration over the fair value of net assets acquired is recorded as goodwill. The determination of estimated fair value requires us to make significant estimates and assumptions. As a result, we may record adjustments to the fair values of assets acquired and liabilities assumed within the measurement period, which may be up to one year from the acquisition date, with the corresponding offset to goodwill. Transaction costs associated with business combinations are expensed as they are incurred.

Intangible assets related to IPR&D projects are considered to be indefinite-lived until the abandonment or completion of the associated R&D efforts, which generally occurs when regulatory approval is obtained. Goodwill and indefinite-lived intangible assets are not amortized and, instead, are tested for impairment annually or more frequently if events or changes in circumstances indicate that it is more likely than not that the assets are impaired.

Intangible assets with finite useful lives are amortized over their estimated useful lives, primarily on a straight-line basis, and, are also periodically reviewed for changes in facts or circumstances resulting in a reduction to the estimated useful life of the asset, requiring the acceleration of amortization. See "Impairment of Long-Lived Assets" for additional information.

In determining the initial fair value of an intangible asset, or when quantitative analysis is required to determine any impairment, we use a probability-weighted income approach that discounts expected future cash flows to present value using a discount rate that is based on the estimated weighted-average cost of capital for companies with profiles similar to ours and represents the rate that market participants would use to value the intangible assets. These cash flow models require the use of Level 3 fair value measurements and inputs, including estimated revenues, which, for example, include significant inputs such as addressable patient population, treatment duration, projected market share, assessment of the asset's life cycle, and competitive trends impacting the asset; costs and probability of technical and regulatory success, among other factors.

In connection with certain acquisitions, we may be required to pay future consideration that is contingent upon the achievement of specified development, regulatory approval or sales-based milestone events. We record contingent consideration resulting from a business combination at its fair value on the acquisition date. Each reporting period thereafter, we revalue these obligations and record increases or decreases in their fair value on our Consolidated Statements of Income until such time that the payment is made. Increases or decreases in fair value of the contingent consideration liabilities can result from updates to assumptions such as the expected timing or probability of achieving the specified milestones, changes in projected revenues or changes in discount rates.

When we determine net assets acquired do not meet the definition of a business combination under the acquisition method of accounting, the transaction is accounted for as an asset acquisition and, therefore, no goodwill is recorded and contingent consideration generally is not recognized at the acquisition date. In an asset acquisition, upfront payments allocated to IPR&D projects at the acquisition date and subsequent milestone payments are expensed as incurred on our Consolidated Statements of Income unless there is an alternative future use.

Impairment of Long-Lived Assets

Long-lived assets, including property, plant and equipment and finite-lived intangible assets, are reviewed for impairment whenever facts or circumstances either internally or externally may indicate that the carrying value of an asset may not be recoverable. Should there be an indication of impairment, we test for recoverability by comparing the estimated undiscounted future cash flows expected to result from the use of the asset over its useful life to the carrying amount of the asset or asset group. If the asset or asset group is determined to be impaired, any excess of the carrying value of the asset or asset group over its estimated fair value is recognized as an impairment loss.

Derivatives

We recognize all derivative instruments as either assets or liabilities at fair value on our Consolidated Balance Sheets. Unrealized changes in the fair value of derivatives designated as part of a hedge transaction are recorded in Accumulated other comprehensive income. For our hedges related to forecasted product sales, the unrealized gains or losses in Accumulated other comprehensive income are reclassified into Product sales on our Consolidated Statements of Income when the respective hedged transactions affect earnings. Changes in the fair value of derivatives that are not part of a hedge transaction are recorded each period in Other income (expense), net on our Consolidated Statements of Income.

Using regression analysis, we assess, both at inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are effective in offsetting the changes in cash flows or fair values of the hedged items. If we determine that a forecasted transaction is probable of not occurring, we discontinue hedge accounting for the affected portion of the hedge instrument, and any related unrealized gain or loss on the contract is recognized in Other income (expense), net on our Consolidated Statements of Income.

Contingencies

We recognize accruals for loss contingencies to the extent that we conclude that a loss is both probable and reasonably estimable. We accrue the best estimate of 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, we disclose the possible loss or range of loss, or that the amount of loss cannot be estimated at this time.

Income Taxes

Our income tax provision is computed under the liability method. Significant estimates are required in determining our provision for income taxes. Some of these estimates are based on interpretations of applicable tax laws or regulations.

Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. We record a valuation allowance to reduce our deferred tax assets to the amounts that are more likely than not to be realized. We consider future taxable income, ongoing tax planning strategies and our historical financial performance in assessing the need for a valuation allowance. If we expect to realize deferred tax assets for which we have previously recorded a valuation allowance, we will reduce the valuation allowance in the period in which such determination is first made.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by tax authorities based on the technical merits of the position. The tax benefit recognized in the Consolidated Financial Statements for a particular tax position is based on the largest benefit that is more likely than not to be realized. The amount of unrecognized tax benefits ("UTB") is adjusted as appropriate for changes in facts and circumstances, such as significant amendments to existing tax law, new regulations or interpretations by tax authorities, new information obtained during a tax examination or resolution of an examination. We recognize both accrued interest and penalties, where appropriate, related to UTB in Income tax expense on our Consolidated Statements of Income.

We have elected to account for the tax on Global Intangible Low-Taxed Income, enacted as part of the Tax Cuts and Jobs Act, as a component of tax expense in the period in which the tax is incurred.

Stock Repurchases

We use the par value method of accounting for our stock repurchases made under repurchase programs. Under the par value method, we record the par value of the shares repurchased to Common stock and the historical issuance cost over par value of the shares repurchased to Additional paid-in capital. The excess of the cost of the shares repurchased over these two amounts is then recorded to Retained earnings.

Foreign Currency Translation and Transactions

Our Consolidated Financial Statements are presented in U.S. dollars. The functional currency for most of our foreign subsidiaries is their local currency. Revenues, expenses, gains and losses for non-U.S. dollar functional currency entities are translated into U.S. dollars using average currency exchange rates for the period. Assets and liabilities for such entities are translated using exchange rates that approximate the rate at the balance sheet date. Foreign currency translation adjustments are recorded as a component of Accumulated other comprehensive income on our Consolidated Balance Sheets. Foreign currency transaction gains and losses on transactions not denominated in functional currency are recorded in Other income (expense), net, on our Consolidated Statements of Income.

Fair Value Measurements

We apply fair value accounting for all financial and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. We define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities which are required to be recorded at fair value, we consider the principal or most advantageous market in which we would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risks inherent in valuation techniques, transfer restrictions and credit risks.

We determine the fair value 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 in active markets; 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; 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.

Recently Issued Accounting Pronouncements Not Yet Adopted

In November 2023, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-07 "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." ASU 2023-07 requires incremental annual and quarterly disclosures about segment measures of profit or loss as well as significant segment expenditures. It also requires public entities with a single reportable segment to provide all segment disclosures required by the amendments in the update and all existing segment disclosures in Topic 280. This guidance will be applied retrospectively, and we plan to adopt it beginning with our 2024 annual report to be filed in early 2025 and all quarterly and annual reports thereafter. As we have a single reportable segment, we expect the adoption of this standard to result in increased disclosures in our Notes to Consolidated Financial Statements.

In December 2023, FASB issued ASU No. 2023-09 "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." ASU 2023-09 requires incremental annual disclosures around income tax rate reconciliations, income taxes paid and other related disclosures. This guidance requires prospective application and permits retrospective application to prior periods presented. We plan to adopt it beginning with our 2025 annual report to be filed in early 2026. We expect the adoption of this standard to result in increased disclosures in our Notes to Consolidated Financial Statements.

2. REVENUES

Disaggregation of Revenues

The following table summarizes our Total revenues:

(in millions)	Year Ended December 31, 2023				Year Ended December 31, 2022				Year Ended December 31, 2021			
	Other				Other				Other			
	U.S.	Europe	International	Total	U.S.	Europe	International	Total	U.S.	Europe	International	Total
Product sales:												
HIV												
Biktarvy	\$ 9,692	\$ 1,253	\$ 905	\$ 11,850	\$ 8,510	\$ 1,103	\$ 777	\$ 10,390	\$ 7,049	\$ 969	\$ 606	\$ 8,624
Complera/Eviplera	47	70	12	129	74	113	13	200	102	142	14	258
Descovy	1,771	100	114	1,985	1,631	118	123	1,872	1,397	164	139	1,700
Genvoya	1,752	205	103	2,060	1,983	284	136	2,404	2,267	391	221	2,879
Odefsey	1,012	294	44	1,350	1,058	364	47	1,469	1,076	440	52	1,568
Stribild	72	21	8	101	88	29	10	127	132	43	14	189
Truvada	82	13	19	114	113	15	18	147	314	22	35	371
Revenue share - Symtuza ⁽¹⁾	382	133	13	529	348	168	14	530	355	165	11	531
Other HIV ⁽²⁾	37	12	7	56	15	24	17	57	136	30	29	195
Total HIV	14,848	2,102	1,226	18,175	13,820	2,219	1,155	17,194	12,828	2,366	1,121	16,315
Oncology												
Cell Therapy												
Tecartus	245	110	15	370	221	75	3	299	136	40	—	176
Yescarta	811	547	140	1,498	747	355	57	1,160	406	253	36	695
Total Cell Therapy	1,055	658	156	1,869	968	430	60	1,459	542	293	36	871
Trodelvy	777	217	68	1,063	525	143	12	680	370	10	—	380
Total Oncology	1,833	875	224	2,932	1,494	573	73	2,139	912	303	36	1,251
Liver Disease												
Chronic hepatitis C virus ("HCV")												
Ledipasvir/ Sofosbuvir ⁽³⁾	39	12	19	70	46	17	51	115	84	31	97	212
Sofosbuvir/Velpatasvir ⁽⁴⁾	859	323	355	1,537	844	355	331	1,530	815	316	331	1,462
Other HCV ⁽⁵⁾	104	43	12	160	115	40	10	166	119	74	14	207
Total HCV	1,002	378	386	1,767	1,005	413	392	1,810	1,018	421	442	1,881
Chronic hepatitis B virus ("HBV") / Chronic hepatitis delta virus ("HDV")												
Vemlidy	410	38	414	862	429	35	379	842	384	34	396	814
Viread	8	22	52	83	6	23	62	91	11	28	72	111
Other HBV/HDV ⁽⁶⁾	—	72	—	72	—	55	—	55	2	42	—	44
Total HBV/HDV	418	133	466	1,017	435	112	441	988	397	104	468	969
Total Liver Disease	1,421	511	852	2,784	1,440	525	833	2,798	1,415	525	910	2,850
Veklury	972	408	805	2,184	1,575	702	1,628	3,905	3,640	1,095	830	5,565
Other												
Ambisome	43	260	189	492	57	258	182	497	39	274	227	540
Letairis	142	—	—	142	196	—	—	196	206	—	—	206
Other ⁽⁷⁾	118	40	66	225	135	65	53	253	136	115	30	281
Total Other	304	301	255	859	388	323	235	946	381	389	257	1,027
Total product sales	19,377	4,197	3,361	26,934	18,716	4,342	3,924	26,982	19,176	4,678	3,154	27,008
Royalty, contract and other revenues	62	114	7	182	168	127	4	299	91	196	10	297
Total revenues	\$ 19,438	\$ 4,310	\$ 3,368	\$ 27,116	\$ 18,884	\$ 4,469	\$ 3,928	\$ 27,281	\$ 19,267	\$ 4,874	\$ 3,164	\$ 27,305

(1) 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 ("Janssen"). See Note 7. Collaborations and Other Arrangements for additional information.

(2) Includes Atripla, Emtriva, Sunlenca and Tybost.

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

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

⁽⁵⁾ Includes Vosevi and Sovaldi.

⁽⁶⁾ Includes Hepcludex and Hepsera.

⁽⁷⁾ Includes Cayston, Jyseleca, Ranexa and Zydelig.

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)	Year Ended December 31,		
	2023	2022	2021
Cardinal Health, Inc.	26 %	25 %	22 %
Cencora, Inc. (formerly known as AmerisourceBergen Corporation)	19 %	18 %	23 %
McKesson Corporation	21 %	20 %	20 %

Revenues Recognized from Performance Obligations Satisfied in Prior Years

The following table summarizes revenues recognized from performance obligations satisfied in prior years:

(in millions)	Year Ended December 31,		
	2023	2022	2021
Revenue share with Janssen ⁽¹⁾ and royalties for licenses of intellectual property	\$ 680	\$ 783	\$ 851
Changes in estimates	\$ 340	\$ 582	\$ 856

⁽¹⁾ See Note 7, Collaborations and Other Arrangements for additional information.

Contract Balances

The following table summarizes our contract balances:

(in millions)	December 31,	
	2023	2022
Contract assets ⁽¹⁾	\$ 117	\$ 171
Contract liabilities ⁽²⁾	\$ 109	\$ 102

⁽¹⁾ Consists of unbilled amounts primarily from arrangements where the licensing of intellectual property is the only or predominant performance obligation.

⁽²⁾ Generally results from receipt of advance payment before our performance under the contract.

3. FAIR VALUE MEASUREMENTS

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)	December 31, 2023				December 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Available-for-sale debt securities:								
U.S. treasury securities	\$ 426	\$ —	\$ —	\$ 426	\$ 410	\$ —	\$ —	\$ 410
U.S. government agencies securities	—	127	—	127	—	35	—	35
Non-U.S. government securities	—	10	—	10	—	34	—	34
Certificates of deposit	—	45	—	45	—	54	—	54
Corporate debt securities	—	1,451	—	1,451	—	1,427	—	1,427
Residential mortgage and asset-backed securities	—	367	—	367	—	333	—	333
Equity securities:								
Money market funds	4,465	—	—	4,465	3,831	—	—	3,831
Publicly traded equity securities ⁽¹⁾	1,458	—	—	1,458	1,197	—	—	1,197
Deferred compensation plan	284	—	—	284	220	—	—	220
Foreign currency derivative contracts	—	7	—	7	—	60	—	60
Total	\$ 6,633	\$ 2,007	\$ —	\$ 8,639	\$ 5,658	\$ 1,943	\$ —	\$ 7,600
Liabilities:								
Liability for MYR GmbH ("MYR") contingent consideration	\$ —	\$ —	\$ 228	\$ 228	\$ —	\$ —	\$ 275	\$ 275
Deferred compensation plan	283	—	—	283	220	—	—	220
Foreign currency derivative contracts	—	59	—	59	—	42	—	42
Total	\$ 283	\$ 59	\$ 228	\$ 570	\$ 220	\$ 42	\$ 275	\$ 538

⁽¹⁾ Publicly traded equity securities include investments in Galapagos NV ("Galapagos") of \$ 686 million and Arcellx, Inc. ("Arcellx") of \$ 373 million as of December 31, 2023, which are subject to contractual sale restrictions until August 2024 and June 2025, respectively. See Note 7. Collaborations and Other Arrangements for additional information.

Level 2 Inputs

Available-for-Sale Debt Securities

For our available-for-sale debt securities, we estimate the fair values by reviewing trading activity and pricing as of the measurement date, and 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.

Foreign Currency Derivative Contracts

Our foreign currency derivative contracts have maturities of 18 months or less 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 utilizing 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, Secured Overnight Financing Rate ("SOFR") and swap rates. These inputs, where applicable, are observable at commonly quoted intervals.

Senior Unsecured Notes

The following table summarizes the total estimated fair value and carrying value of our senior unsecured notes, determined using Level 2 inputs based on their quoted market values:

(in millions)	December 31,	
	2023	2022
Fair value	\$ 22,567	\$ 21,872
Carrying value	\$ 23,834	\$ 24,088

Level 3 Inputs

Contingent Consideration Liability

In connection with our first quarter 2021 acquisition of MYR, we are subject to a potential contingent consideration payment of up to € 300 million, subject to customary adjustments, which is revalued each reporting period using probability-weighted scenarios for U.S. Food and Drug Administration ("FDA") approval of Hepcludex until the related contingency is resolved.

The following table summarizes the change in fair value of our contingent consideration liability:

millions)	Year Ended December 31,	
	2023	2022
Beginning balance	\$ 275	317
Changes in valuation assumptions ⁽¹⁾	(60)	(21)
Effect of foreign exchange remeasurement ⁽²⁾	12	(21)
Ending balance ⁽³⁾	\$ 228	275

⁽¹⁾ Included in Research and development expenses on our Consolidated Statements of Income. The changes primarily related to changes in assumptions around probability and timing of regulatory approval.

⁽²⁾ Included in Other income (expense), net on our Consolidated Statements of Income.

⁽³⁾ Included in Other long-term obligations on our Consolidated Balance Sheets as of December 31, 2023 and 2022, respectively.

Liability Related to Future Royalties

We recorded a liability related to future royalties as part of our fourth quarter 2020 acquisition of Immunomedics, Inc. ("Immunomedics"), which is subsequently amortized using the effective interest method over the remaining estimated life. See Note 11. Debt and Credit Facilities for additional information.

The following table summarizes the fair value and carrying value of the liability related to future royalties:

(in millions)	December 31,	
	2023	2022
Fair value	\$ 1,230	\$ 1,090
Carrying value	\$ 1,153	\$ 1,141

Nonrecurring Fair Value Measurements

In 2023, we recorded a \$ 51 million write-off of our finite-lived intangible asset related to filgotinib as discussed in Note 9. Goodwill and Intangible Assets, as well as a \$ 381 million write-off of manufacturing assets related to changes in our manufacturing strategy as discussed in Note 10. Other Financial Information. Both charges were recorded within Cost of goods sold on our Consolidated Statements of Income. In 2023 and 2022, we recorded a partial impairment charge of \$ 50 million and \$ 2.7 billion, respectively, related to certain IPR&D assets as discussed in Note 9. Goodwill and Intangible Assets.

Fair Value Level Transfers

There were no transfers between Level 1, Level 2 and Level 3 in the periods presented.

4. AVAILABLE-FOR-SELL DEBT SECURITIES AND EQUITY SECURITIES

Available-for-Sale Debt Securities

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

(in millions)	December 31, 2023					December 31, 2022				
	Gross		Gross			Gross		Gross		
	Amortized	Unrealized	Unrealized	Estimated	Fair Value	Amortized	Unrealized	Unrealized	Losses	Estimated
	Cost	Gains	Losses	Fair Value	Cost	Cost	Gains	Losses	Fair Value	
U.S. treasury securities	\$ 427	\$ —	\$ (1)	\$ 426	\$ 415	\$ —	\$ (5)	\$ 410		
U.S. government agencies securities	127	—	—	127	36	—	—	—	35	
Non-U.S. government securities	10	—	—	10	34	—	—	—	34	
Certificates of deposit	45	—	—	45	54	—	—	—	54	
Corporate debt securities	1,455	4	(8)	1,451	1,452	—	(26)	1,427		
Residential mortgage and asset-backed securities	366	1	—	367	335	—	(3)	333		
Total	\$ 2,430	\$ 5	\$ (10)	\$ 2,426	\$ 2,325	\$ 1	\$ (34)	\$ 2,293		

The following table summarizes information related to available-for-sale debt securities that have been in a continuous unrealized loss position, classified by length of time:

(in millions)	December 31, 2023					
	Less Than 12 Months		12 Months or Longer		Total	
	Unrealized	Estimated Fair	Unrealized	Estimated Fair	Unrealized	Estimated Fair Value
	Losses	Value	Losses	Value	Losses	Fair Value
U.S. treasury securities	\$ —	\$ 161	\$ (1)	\$ 48	\$ (1)	\$ 209
U.S. government agencies securities	—	106	—	2	—	108
Non-U.S. government securities	—	5	—	5	—	10
Corporate debt securities	(1)	333	(7)	546	(8)	878
Residential mortgage and asset-backed securities	—	123	—	24	—	147
Total	\$ (2)	\$ 727	\$ (8)	\$ 624	\$ (10)	\$ 1,351

(in millions)	December 31, 2022					
	Less Than 12 Months		12 Months or Longer		Total	
	Unrealized	Estimated	Unrealized	Estimated Fair	Unrealized	Estimated
	Losses	Fair Value	Losses	Value	Losses	Fair Value
U.S. treasury securities	\$ (2)	\$ 174	\$ (3)	\$ 206	\$ (5)	\$ 379
U.S. government agencies securities	—	21	—	—	—	21
Non-U.S. government securities	—	31	—	3	—	34
Corporate debt securities	(17)	774	(8)	439	(26)	1,213
Residential mortgage and asset-backed securities	(2)	205	(1)	56	(3)	261
Total	\$ (22)	\$ 1,204	\$ (12)	\$ 705	\$ (34)	\$ 1,908

No allowance for credit losses was recognized for investments with unrealized losses as of December 31, 2023, as the unrealized losses were primarily driven by broader change in interest rates with no adverse conditions identified that would prevent the issuer from making scheduled principal and interest payments. We do not currently intend to sell, and it is not more likely than not that we will be required to sell, such investments before recovery of their amortized cost bases.

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

(in millions)	December 31,	
	2023	2022
Cash and cash equivalents	\$ 83	\$ 75
Short-term marketable debt securities	1,179	973
Long-term marketable debt securities	1,163	1,245
Total	<u><u>\$ 2,426</u></u>	<u><u>\$ 2,293</u></u>

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

(in millions)	December 31, 2023	
	Amortized Cost	Fair Value
Within one year	\$ 1,267	\$ 1,262
After one year through five years	1,153	1,153
After five years through ten years	9	9
After ten years	2	2
Total	<u><u>\$ 2,430</u></u>	<u><u>\$ 2,426</u></u>

Equity Securities

The following table summarizes the classification of our equity securities on our Consolidated Balance Sheets:

millions)	December 31,	
	2023	2022
Equity securities measured at fair value:		
Cash and cash equivalents	\$ 4,465	3,831
Prepaid and other current assets	1,086	473
Other long-term assets	656	943
Equity method investments and other equity investments without readily determinable fair values:		
Other long-term assets	\$ 348	423
Total	<u><u>\$ 6,545</u></u>	<u><u>5,671</u></u>

For our equity method investments in Galapagos and Arcus Biosciences, Inc. ("Arcus"), we elected and applied the fair value option as we believe it best reflects the underlying economics of these investments. Our investment in Galapagos is subject to certain lock-up provisions until August 2024 and was classified in Prepaid and other current assets and Other long-term assets as of December 31, 2023 and 2022 at \$ 686 million and \$ 736 million, respectively. Our investment in Arcus was classified in Prepaid and other current assets as of December 31, 2023 and 2022 at \$ 283 million and \$ 286 million, respectively.

Unrealized Gains and Losses

The following table summarizes net unrealized gains and losses on equity securities still held as of the respective balance sheet dates, included in Other income (expense), net on our Consolidated Statements of Income:

(in millions)	Year Ended December 31,		
	2023	2022	2021
Net unrealized losses on equity securities still held	\$ 60	\$ 684	\$ 647

Related Party Transaction

During the years ended December 31, 2022 and 2021, Gilead donated certain equity securities at fair value to the Gilead Foundation, a California nonprofit public benefit corporation (the "Foundation"). The Foundation is a related party as certain of our officers also serve as directors of the Foundation. The donation expense of \$ 85 million and \$ 212 million was recorded within Selling, general and administrative expenses on our Consolidated Statements of Income during the years ended December 31, 2022 and 2021, respectively.

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 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 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.

The derivative instruments we use to hedge our exposures for certain monetary assets and liabilities that are denominated in a non-functional currency are not designated as hedges. The derivative instruments we use to hedge our exposures for forecasted product sales are designated as cash flow hedges and have maturities of 18 months or less.

We held foreign currency exchange contracts with outstanding notional amounts of \$ 2.5 billion and \$ 3.0 billion as of December 31, 2023 and 2022, respectively.

While all our derivative contracts allow us the right to offset assets and liabilities, we have presented amounts in our Consolidated Balance Sheets on a gross basis. The following table summarizes the classification and fair values of derivative instruments, including the potential effect of offsetting:

(in millions)	December 31, 2023			
	Derivative Assets		Derivative Liabilities	
	Classification	Fair Value	Classification	Fair Value
Derivatives designated as hedges:				
Foreign currency exchange contracts	Prepaid and other current assets	\$ 6	Other current liabilities	\$ 38
Foreign currency exchange contracts	Other long-term assets	—	Other long-term obligations	7
Total derivatives designated as hedges		6		45
Derivatives not designated as hedges:				
Foreign currency exchange contracts	Prepaid and other current assets	1	Other current liabilities	15
Total derivatives not designated as hedges		1		15
Total derivatives presented gross on the Consolidated Balance Sheets		\$ 7		\$ 59
Gross amounts not offset on the Consolidated Balance Sheets:				
Derivative financial instruments		\$ (7)		\$ (7)
Cash collateral received / pledged		—		—
Net amount (legal offset)		\$ —		\$ 52

December 31, 2022

(in millions)	Derivative Assets		Derivative Liabilities	
	Classification	Fair Value	Classification	Fair Value
Derivatives designated as hedges:				
Foreign currency exchange contracts	Prepaid and other current assets	\$ 59	Other current liabilities	\$ 26
Foreign currency exchange contracts	Other long-term assets	1	Other long-term obligations	9
Total derivatives designated as hedges		59		35
Derivatives not designated as hedges:				
Foreign currency exchange contracts	Prepaid and other current assets	1	Other current liabilities	7
Total derivatives not designated as hedges		1		7
Total derivatives presented gross on the Consolidated Balance Sheets				
		\$ 60		\$ 42
Gross amounts not offset on the Consolidated Balance Sheets:				
Derivative financial instruments		\$ (36)		\$ (36)
Cash collateral received / pledged		—		—
Net amount (legal offset)		\$ 25		\$ 7

The following table summarizes the effect of our derivative contracts on our Consolidated Financial Statements:

(in millions)	Year Ended December 31,		
	2023	2022	2021
Derivatives designated as hedges:			
Net (loss) gain recognized in Accumulated other comprehensive income (loss)	\$ (14)	\$ 150	\$ 147
Net gain (loss) reclassified from Accumulated other comprehensive income (loss) into Product sales	\$ 58	\$ 196	\$ (67)
Derivatives not designated as hedges:			
Net gain recognized in Other income (expense), net	\$ 57	\$ 67	\$ 21

The majority of gains and losses related to the hedged forecasted transactions reported in Accumulated other comprehensive income (loss) as of December 31, 2023 are expected to be reclassified to Product sales within 12 months. There were no discontinuances of cash flow hedges for the years presented.

The cash flow effects of our derivative contracts for the years ended December 31, 2023, 2022 and 2021 were included within Net cash provided by operating activities on our Consolidated Statements of Cash Flows.

6. ACQUISITIONS

CymaBay

In February 2024, we entered into a definitive agreement to acquire all of the outstanding common stock of CymaBay Therapeutics, Inc. ("CymaBay") and its lead product candidate, seladelpar, which is an investigational treatment for primary biliary cholangitis, for approximately \$ 4.3 billion. Under the terms of the merger agreement, a wholly-owned subsidiary of Gilead will promptly commence a tender offer to acquire all of the outstanding shares of CymaBay's common stock at a price of \$ 32.50 per share in cash. Following successful completion of the tender offer, Gilead will acquire all remaining shares not tendered in the offer through a second step merger at the same price as in the tender offer. Consummation of the tender offer is subject to a minimum tender of at least a majority of then-outstanding CymaBay shares, the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act and other customary conditions. Gilead plans to pay all cash consideration for the transaction. The tender offer is not subject to a financing condition. Upon closing, CymaBay will become a wholly-owned subsidiary. CymaBay's lead program, seladelpar, is an investigational, oral, selective peroxisome proliferator-activated receptor delta agonist, shown to regulate critical metabolic and liver disease pathways. Based on data evaluating the efficacy and tolerability profile of seladelpar in more than 500 participants across Phase 2 and Phase 3 studies, a new drug application for seladelpar was submitted to FDA in December 2023.

XinThera

In May 2023, we closed an agreement to acquire XinThera, Inc. ("XinThera"), a privately held biotechnology company focused on small molecule drugs to treat cancer and immunologic diseases, for approximately \$ 200 million in cash consideration, net of cash acquired. As a result, XinThera became our wholly-owned subsidiary.

We accounted for the transaction as an asset acquisition and recorded a \$ 170 million charge to Acquired in-process research and development expenses on our Consolidated Statements of Income in 2023. The remaining purchase price relates to various other assets acquired and liabilities assumed. Under the agreement, the former shareholders of XinThera are eligible to receive performance-based development and regulatory milestone payments of up to approximately \$ 760 million, with \$ 50 million of that having been paid and charged primarily to Acquired in-process research and development expenses in 2023.

Tmunity

In February 2023, we closed an agreement to acquire Tmunity Therapeutics, Inc. ("Tmunity"), a clinical-stage, private biotechnology company focused on next-generation CAR T-therapies and technologies. Under the terms of the agreement, we acquired all outstanding shares of Tmunity other than those already owned by Gilead for approximately \$ 300 million in cash consideration. As a result, Tmunity became our wholly-owned subsidiary.

We accounted for the transaction as an asset acquisition and recorded a \$ 244 million charge to Acquired in-process research and development expenses on our Consolidated Statements of Income in 2023. The remaining purchase price relates to various other assets acquired and liabilities assumed, consisting primarily of deferred tax assets. Under the agreement, the former shareholders of Tmunity and the University of Pennsylvania are eligible to receive a mix of up to approximately \$ 1.0 billion in potential future payments upon achievement of certain development, regulatory and sales-based milestones, as well as royalty payments on sales, with \$ 25 million of that having been charged to Acquired in-process research and development expenses in 2023 and paid in January 2024.

MiroBio

On September 20, 2022, we acquired all of the outstanding share capital of MiroBio Ltd. ("MiroBio"), a privately-held U.K.-based biotechnology company focused on restoring immune balance with agonists targeting immune inhibitory receptors, for \$ 414 million in cash. As a result, MiroBio became our wholly-owned subsidiary.

We accounted for the transaction as an asset acquisition and recorded a \$ 389 million charge to Acquired in-process research and development expenses on our Consolidated Statements of Income in 2022. The remaining purchase price relates to various other assets acquired and liabilities assumed.

MYR

In the first quarter of 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 provided Gilead with Hepcludex, which was conditionally approved by 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 Consolidated Financial Statements from the date of the acquisition.

The aggregate consideration for this acquisition of € 1.3 billion (or \$ 1.6 billion) primarily consisted of € 1.0 billion (or \$ 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 fair value of this contingent liability, estimated using probability-weighted scenarios for FDA approval, was \$ 341 million as of the acquisition date. See Note 3. Fair Value Measurements for additional information.

The acquisition of MYR was accounted for as a business combination using the acquisition method of accounting. 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 IPR&D consists of Hepcludex for HDV in all other regions without regulatory approval, including the United States. The estimated aggregate fair value of \$ 1.19 billion as of the acquisition date was determined by applying the income approach using unobservable inputs (Level 3 under the fair value measurement and disclosure guidance) 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.

Deferred Income Taxes

The net deferred tax liability was based upon the difference between the estimated financial statement 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.

The one-year measurement period was completed in the first quarter of 2022, with adjustments recorded to the fair values of assets acquired and liabilities assumed of \$ 18 million. See Note 9. Goodwill and Intangible Assets for additional information.

7. COLLABORATIONS AND OTHER ARRANGEMENTS

We enter into licensing and strategic collaborations and other similar arrangements with third parties for the research, 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. The financial terms of 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, cost-sharing arrangements and equity investments. Development milestone payments are recorded in our Consolidated Statements of Income as incurred, which is generally when the corresponding events become probable. Regulatory milestone payments are capitalized as intangible assets and amortized to Cost of goods sold over the term of the respective collaboration arrangement. Certain payments are contingent upon the occurrence of various future events that have a high degree of uncertainty.

Arcellx

In January 2023, we closed an agreement to enter into a global strategic collaboration with Arcellx, a public company, to co-develop and co-commercialize Arcellx's lead late-stage product candidate, CART-ddBCMA, for the treatment of patients with relapsed or refractory multiple myeloma, and potential future next-generation autologous and non-autologous products. In December 2023, we expanded the scope of the collaboration to include lymphomas and exercised our option to negotiate a license for Arcellx's ARC-SparX program, ACLX-001, in multiple myeloma. In conjunction with these collaboration agreements, we recorded a combined \$ 313 million charge to Acquired in-process research and development expenses on our Consolidated Statements of Income in 2023, primarily related to upfront payments, as well as a combined equity investment of \$ 299 million. Our equity investment is subject to lock-up provisions until June 2025 and is included in Other long-term assets on our Consolidated Balance Sheets as of December 31, 2023. The companies will share development, clinical trial and commercialization costs for CART-ddBCMA and will jointly commercialize the product and split U.S. profits 50 / 50 . Outside the U.S., we will commercialize the product and Arcellx will receive royalties on sales. Arcellx is eligible to receive performance-based development and regulatory milestone payments of up to \$ 1.5 billion related to CART-ddBCMA, a potential future next-generation autologous product and a potential future non-autologous product, with further commercial milestone payments, profit split payments on co-promoted products and royalties on at least a portion of worldwide net sales, depending on whether Arcellx opts in to co-promote the future products. If additional future products are developed, Arcellx would be eligible to receive additional milestone payments, profit split payments on co-promoted products and royalties on at least a portion of worldwide net sales, depending on whether Arcellx opts in to co-promote these additional future products as well.

Dragonfly

In April 2022, we entered into a strategic research collaboration agreement (the "Dragonfly Collaboration Agreement") with Dragonfly Therapeutics, Inc. ("Dragonfly") to develop natural killer ("NK") cell engager-based immunotherapies for oncology and inflammation indications. Under the terms of the Dragonfly Collaboration Agreement, we received an exclusive, worldwide license from Dragonfly for the 5T4-targeting investigational immunotherapy program, DF7001, as well as options, after the completion of certain preclinical activities, to license exclusive, worldwide rights to develop and commercialize additional NK cell engager programs using the Dragonfly Tri-specific NK Engager platform. Upon the closing of the Dragonfly Collaboration Agreement, we made a \$ 300 million upfront payment to Dragonfly, and we made an additional \$ 15 million payment related to a target selection in connection with an August 2022 amendment to the agreement, which were recorded in Acquired in-process research and development expenses on our Consolidated Statements of Income during the year ended December 31, 2022. In July 2023, we mutually agreed to terminate the DF7001 program. If we exercise our options on additional NK cell engager programs, Dragonfly would be eligible to receive opt-in payments and performance-based development, regulatory and commercial milestone payments and royalties on worldwide net sales on these optioned programs.

Merck

On March 13, 2021, we entered into a license and collaboration agreement with Merck Sharp & Dohme Corp., a subsidiary of Merck & Co., Inc. ("Merck") 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, with other formulations potentially added to the collaboration as mutually agreed. The collaboration is initially focused on long-acting oral and injectable formulations.

Under the terms of the agreement, as amended, Gilead and Merck will mostly share global development and commercialization costs at 60 % and 40 %, respectively, across the oral and injectable formulation programs. For long-acting oral products, if approved, Gilead would lead commercialization in the U.S., and Merck would lead commercialization in the European Union ("EU") and rest of the world. For long-acting injectable products, if approved, Merck would lead commercialization in the U.S. and Gilead would lead commercialization in the EU and rest of the world. Under the terms of the agreement, Gilead and Merck would jointly promote the combination products in the U.S. and certain other major markets. If successful, we would 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 would 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. Reimbursements of R&D costs to or from Merck are recorded within Research and development expenses on our Consolidated Statements of Income. Expenses recognized under the agreement were not material for the years ended December 31, 2023, 2022 and 2021. No revenues have been recognized under the agreement for the years ended December 31, 2023, 2022 and 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 costs and revenues, unless the non-exercising company decides to opt out, in which case the non-exercising company will be paid a royalty.

Arcus

On May 27, 2020, we entered into a transaction with Arcus, a publicly traded oncology-focused biopharmaceutical company, which included entry into an option, license and collaboration agreement (the "Collaboration Agreement"), with Gilead having the right to opt in to all current and future clinical-stage product candidates for up to ten years following the closing of the transaction, and a common stock purchase agreement and an investor rights agreement (together, and as subsequently amended the "Stock Purchase Agreements").

In November 2021, we exercised our options to three of Arcus' clinical stage programs and amended the Collaboration Agreement. The option exercise and amendment transaction closed in December 2021, triggering collaboration opt-in payments of \$ 725 million and waiving the \$ 100 million option continuation payment which would have been due to Arcus in the third quarter of 2022. The net option charge of \$ 625 million was included within Acquired in-process research and development expenses on our Consolidated Statements of Income for the year ended December 31, 2021. The collaboration opt-in payments of \$ 725 million were recorded in Other current liabilities on our Consolidated Balance Sheets as of December 31, 2021 and paid to Arcus in January 2022. Our payments to Arcus were included within Net cash used in investing activities on our Consolidated Statements of Cash Flows in the first quarter of 2022.

In May 2023, we again amended the Collaboration Agreement to initiate research programs against up to four targets jointly selected by the parties that are applicable to inflammatory diseases. As part of the amendment, we paid a \$ 35 million upfront fee, which was charged to Acquired in-process research and development expenses on our Consolidated Statements of Income. Gilead may exercise an option to license each program at two separate, prespecified time points. If Gilead exercises its option at the earlier time point for the first two target programs, Arcus would be eligible to receive up to \$ 420 million in future option and milestone payments and tiered royalties for each optioned program. For any other option exercise by Gilead for the four target programs, the parties would have rights to co-develop and share global development costs and to co-commercialize and share profits in the U.S. for optioned programs.

Under the amended Collaboration Agreement, the companies co-develop and share the global costs related to these clinical programs. We recorded \$ 189 million and \$ 187 million of such costs in Research and development expenses on our Consolidated Statements of Income for the years ended December 31, 2023 and 2022, respectively. If the optioned molecules achieve regulatory approval, the companies will co-commercialize and equally share profits in the U.S. Gilead will hold exclusive commercialization rights outside the U.S., subject to any rights of Arcus's existing collaboration partners, and will pay to Arcus tiered royalties as a percentage of net sales ranging from the mid teens to low twenties. Under the amended Collaboration Agreement, we may also pay an additional \$ 100 million at our option on each of the fourth, sixth and eighth anniversaries of the agreement, unless terminated early, to maintain the rights to opt in to future Arcus programs for the duration of the contact term.

Under the Stock Purchase Agreements, we have the right to purchase from Arcus additional shares up to a maximum of 35 % of the outstanding voting stock of Arcus over a five-year period ending in the third quarter of 2025. We were also subject to a three-year standstill, restricting certain other activity on our part, which expired in the second quarter of 2023. We have made various purchases of shares since the original closing of the agreement and, following our latest purchase in the second quarter of 2023, we owned a total of 14.8 million shares, which represented approximately 19.9 % of the issued and outstanding voting stock of Arcus at that time. As of December 31, 2023, we had two designees on Arcus' board of directors.

In January 2024, we announced an amendment to the Collaboration Agreement with Arcus and made an additional equity investment in Arcus for \$ 320 million, increasing our ownership to 33 %. Under the amended Collaboration Agreement, we agreed to pay the \$ 100 million fourth anniversary option continuation fee in 2024. We also increased our number of designees on Arcus' board of directors to three.

Pionyr

In June 2020, we entered into a transaction with Pionyr Immunotheapeutics ("Pionyr"), a privately held company pursuing novel biology in the field of immuno-oncology, which included entry into two separate agreements, one related to the initial acquisition of a 49.9 % equity interest in Pionyr, and the other providing us the exclusive option, subject to certain terms and conditions, to acquire the remaining outstanding capital stock of Pionyr (the "Pionyr Merger and Option Agreements") and a R&D service agreement.

In March 2023, we terminated the R&D service agreement, waived our exclusive option to acquire Pionyr and certain other rights under the Pionyr Merger and Option Agreements and recorded a \$ 70 million charge to Other income (expense), net on our Consolidated Statements of Income, writing off the full value of the option that had previously been recorded in Other long-term assets on our Consolidated Balance Sheets.

We previously accounted for our investment in Pionyr using the equity method of accounting because our equity interest provided us with the ability to exercise significant influence over Pionyr. The carrying value of our equity method investment in Pionyr was zero as of December 31, 2022. In August 2023, Pionyr was acquired by Ikena Oncology, Inc. ("Ikena"), a publicly traded company, and our equity interest was converted to shares of Ikena stock.

Tizona

In July 2020, we entered into a transaction with Tizona Therapeutics, Inc. ("Tizona"), a privately held company developing cancer immunotherapies, which included entry into two separate agreements, one related to the initial acquisition of a 49.9 % equity interest in Tizona, and the other providing us the exclusive option, subject to certain terms and conditions, to acquire the remaining outstanding capital stock of Tizona (the "Tizona Merger and Option Agreements") and a development agreement.

In September 2023, we terminated the development agreement, waived our exclusive option to acquire Tizona and certain other rights under the Tizona Merger and Option Agreements and recorded a \$ 41 million charge to Other income (expense), net on our Consolidated Statements of Income, writing off the full value of the option that had previously been recorded in Other long-term assets on our Consolidated Balance Sheets.

We account for our investment in Tizona using the equity method of accounting because our equity interest provides us with the ability to exercise significant influence over Tizona. The carrying value of our equity method investment in Tizona was zero as of December 31, 2023 and 2022.

Galapagos

Filgotinib Collaboration

In October 2023, we amended a previous agreement with Galapagos, a clinical-stage biotechnology company based in Belgium, related to the development and commercialization of filgotinib, a JAK1-selective inhibitor being evaluated for inflammatory disease indications, to terminate the global development cost-sharing arrangement and Galapagos' obligation to pay tiered royalties to us on net sales in Europe. As a result, we wrote off the remaining \$ 51 million balance of our related finite-lived intangible asset as discussed in Note 9. Goodwill and Intangible Assets. We had also previously paid Galapagos € 160 million (or approximately \$ 190 million) related to an agreement to terminate Galapagos' right to receive any future milestone payments relating to filgotinib in Europe, with the full amount being expensed in 2020 and € 110 million (or approximately \$ 130 million) paid in 2021 and € 50 million (or approximately \$ 60 million) paid in 2022.

Global Collaboration

In August 2019, we closed an option, license and collaboration agreement (the "Galapagos Collaboration Agreement") and a subscription agreement (the "Galapagos Subscription Agreement"), each with Galapagos, pursuant to which the parties entered into a global collaboration that covers Galapagos' current and future product portfolio (other than filgotinib).

Pursuant to the Galapagos Subscription Agreement, we purchased 6.8 million new ordinary shares of Galapagos and were issued warrants that confer the right to subscribe, from time to time, for a number of new shares to be issued by Galapagos sufficient to bring the number of shares owned by us to 29.9 % of the issued and outstanding shares at the time of our exercises. We currently own 16.7 million shares or approximately 25.8 % of the shares issued and outstanding at the time of last purchase in 2019. We are subject to a 10-year standstill restricting our ability to acquire voting securities of Galapagos exceeding more than 29.9 % of the then-issued and outstanding voting securities of Galapagos. We agreed not to, without the prior consent of Galapagos, dispose of any equity securities of Galapagos prior to the second anniversary of the closing of the Galapagos Subscription Agreement or dispose of any equity securities of Galapagos thereafter until the fifth anniversary of the closing of the Galapagos Subscription Agreement, if after such disposal we would own less than 20.1 % of the then-issued and outstanding voting securities of Galapagos, subject to certain exceptions and termination events. In April 2021, we amended the Galapagos Subscription Agreement to extend the initial lock-up provision for certain Galapagos shares from August 2021 to August 2024.

With respect to programs in Galapagos' current and future pipeline, if we exercise our option to a program, we will pay a \$ 150 million option exercise fee per program. In addition, Galapagos will receive tiered royalties ranging from 20 % to 24 % on net sales in our territories of each Galapagos product optioned by us. If we exercise our option for a program, the parties will share equally in development costs and mutually agreed commercialization costs incurred subsequent to our exercise of the option. We may terminate the collaboration in its entirety or on a program-by-program and country-by-country basis with advance notice as well as following other customary termination events. We have two designees appointed to Galapagos' board of directors.

Janssen

Complera/Eviplera and Odefsey

In 2009, we entered into a license and collaboration agreement with Janssen to develop and commercialize a fixed-dose combination of our Truvada and Janssen's non-nucleoside reverse transcriptase inhibitor, rilpivirine. This combination was approved in the U.S. and EU in 2011, and is sold under the brand name Complera in the U.S. and Eviplera in the EU. The agreement was amended in 2014 to expand the collaboration to include another product containing Janssen's rilpivirine and our emtricitabine and tenofovir alafenamide ("Odefsey").

Under the amended agreement, Janssen granted us an exclusive license to Complera/Eviplera and Odefsey worldwide, but retained rights to distribute both combination products in certain countries outside of the U.S. Neither party is restricted from combining its drugs with any other drug products except those which are similar to the components of Complera/Eviplera and Odefsey.

We are responsible for manufacturing Complera/Eviplera and Odefsey and have the lead role in registration, distribution and commercialization of both products except in the countries where Janssen distributes. Janssen has exercised a right to co-detail the combination product in some of the countries where we are the selling party.

Under the financial provisions of the 2014 amendment, the selling party sets the price of the combined products and the parties share revenues based on the ratio of the net selling prices of the party's component(s), subject to certain restrictions and adjustments. We retain a specified percentage of Janssen's share of revenues, including up to 30 % in major markets. Sales of these products are included in Product sales and Janssen's share of revenues is included in Cost of goods sold on our Consolidated Statements of Income. Cost of goods sold relating to Janssen's share was \$ 430 million, \$ 483 million and \$ 530 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Termination of the agreement may be on a product or country basis and will depend on the circumstances, including withdrawal of a product from the market, material breach by either party or expiry of the revenue share payment term. We may terminate the agreement without cause with respect to the countries where we sell the products, in which case Janssen has the right to become the selling party for such country if the product has launched but has been on the market for fewer than 10 years.

Syntuza

In 2014, we amended a license and collaboration agreement with Janssen to develop and commercialize a fixed-dose combination of Janssen's darunavir and our cobicistat, emtricitabine and tenofovir alafenamide ("Gilead Compounds"). This combination was approved in the U.S. and EU in July 2018 and September 2017, respectively, and is sold under the brand name Syntuza.

Under the terms of the 2014 amendment, we granted Janssen an exclusive license to Syntuza worldwide. Janssen is responsible for manufacturing, registration, distribution and commercialization of Syntuza worldwide. We are responsible for the intellectual property related to the Gilead Compounds and are the exclusive supplier of the Gilead Compounds. Neither party is restricted from combining its drugs with any other drug products except those which are similar to the components of Syntuza.

Janssen sets the price of Syntuza and the parties share revenue based on the ratio of the net selling prices of the party's component(s), subject to certain restrictions and adjustments. The intellectual property license and supply obligations related to the Gilead Compounds are accounted for as a single performance obligation. As the license was deemed to be the predominant item to which the revenue share relates, we recognize our share of the Syntuza revenue in the period when the corresponding sales of Syntuza by Janssen occur. We record our share of the Syntuza revenue as Product sales on our Consolidated Statements of Income primarily because we supply the Gilead Compounds to Janssen for Syntuza.

Termination of the agreement may be on a product or country basis and will depend on the circumstances, including withdrawal of a product from the market, material breach by either party or expiry of the revenue share payment term. Janssen may terminate the agreement without cause on a country-by-country basis, in which case Gilead has the right to become the selling party for such country(ies) if the product has launched but has been on the market for fewer than 10 years. Janssen may also terminate the entire agreement without cause.

Japan Tobacco

In 2005, Japan Tobacco, Inc. ("Japan Tobacco") granted us exclusive rights to develop and commercialize elvitegravir, a novel HIV integrase inhibitor, in all countries of the world, excluding Japan, where Japan Tobacco retained such rights. Effective December 2018, we entered into an agreement with Japan Tobacco to acquire the rights to market and distribute certain products in our HIV portfolio in Japan and to expand our rights to develop and commercialize elvitegravir to include Japan. We are responsible for the marketing of the products as of January 1, 2019.

We are responsible for seeking regulatory approval in our territories and are required to use diligent efforts to commercialize elvitegravir for the treatment of HIV infection. We bear all costs and expenses associated with such commercialization efforts and pay a royalty to Japan Tobacco based on our product sales. Our sales of these products are included in Product sales on our Consolidated Statements of Income. Royalties due to Japan Tobacco are included in Cost of goods sold on our Consolidated Statements of Income. Royalty expenses recognized were \$ 167 million, \$ 198 million and \$ 250 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Under the terms of the 2018 agreement, we paid Japan Tobacco \$ 559 million in cash and recognized an intangible asset of \$ 550 million reflecting the estimated fair value of the marketing-related rights acquired from Japan Tobacco. The intangible asset is being amortized over nine years, representing the period over which the majority of the benefits are expected to be derived from the applicable products in our HIV portfolio. The amortization expense is classified as selling expense and recorded as Selling, general and administrative expenses on our Consolidated Statements of Income.

Termination of the agreement may be on a product or country basis and will depend on the circumstances, including material breach by either party or expiry of royalty payment term. We may also terminate the entire agreement without cause.

Everest

In April 2019, Everest Medicines ("Everest") and Immunomedics entered into an agreement granting Everest an exclusive license to develop and commercialize Trodelvy in Greater China, South Korea, Singapore, Indonesia, Philippines, Vietnam, Thailand, Malaysia and Mongolia (the "Territories"). Gilead subsequently acquired Immunomedics in October 2020 and assumed the Everest license and supply agreement, which provided for certain sales milestones and royalties payments to be made to Gilead and was recorded as a \$ 175 million finite-lived asset as part of the purchase accounting. In the fourth quarter of 2022, we reacquired all development and commercialization rights for Trodelvy from Everest and terminated the previous agreement. Under the terms of the new agreement, Gilead made \$ 280 million in upfront termination payments to Everest, of which \$ 84 million was made in 2022 and \$ 196 million was made in 2023. In addition, Everest is eligible to receive up to \$ 175 million in potential additional payments upon achievement of certain regulatory and commercial milestones. We accounted for the new agreement as a contract termination, which includes the reacquisition of commercial rights and the settlement of our pre-existing relationship with Everest. As a result, we recorded an expense of \$ 406 million in Selling, general and administrative expenses on our Consolidated Statements of Income during the year ended December 31, 2022, which primarily represents the upfront costs and write-off of the remaining value of the pre-existing asset related to the prior agreement. Simultaneously, we recorded an acquired finite-lived asset with a fair value of \$ 50 million for the commercial rights reacquired for products approved in the Territories.

Abingworth

In December 2023, we entered into an arrangement with funds managed by Abingworth LLP ("Abingworth") under which we will receive up to \$ 210 million to co-fund our development costs for Trodelvy for non-small cell lung cancer in 2023 through 2026. As there is substantive transfer of risk to the financial partner, the development funding is recognized by us as an obligation to perform contractual services. In 2023, we received \$ 50 million from Abingworth. We are recognizing the funding as a reduction of Research and development expenses using an attribution model over the period of the related expenses. If successful, upon regulatory approval in the U.S. for the specified indication, Abingworth will be eligible to receive an approval-based fixed milestone payment of up to \$ 84 million and royalties based on the applicable net sales.

8. PROPERTY, PLANT AND EQUIPMENT

The following table summarizes our Property, plant and equipment, net by asset type:

(in millions)	December 31,	
	2023	2022
Land and land improvements	\$ 561	\$ 562
Buildings and improvements (including leasehold improvements)	4,328	4,390
Laboratory and manufacturing equipment	1,147	1,110
Office, computer equipment and other	1,069	880
Construction in progress	661	719
Subtotal	7,766	7,661
Less: accumulated depreciation	2,449	2,186
Total	\$ 5,317	\$ 5,475

In 2023, we wrote off \$ 381 million of property, plant and equipment related to changes in our manufacturing strategy. The write-offs related primarily to buildings, improvements and related equipment that were determined to be fully impaired based on the difference between fair value and the carrying amount as a result of our decision to no longer utilize the facilities.

The following table summarizes our Property, plant and equipment, net by geography:

(in millions)	December 31,	
	2023	2022
U.S.	\$ 4,691	4,501
International ⁽¹⁾	626	973
Total	\$ 5,317	\$ 5,475

⁽¹⁾ All individual international locations accounted for less than 10% of the total balances.

9. GOODWILL AND INTANGIBLE ASSETS

Goodwill

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

(in millions)	December 31,	
	2023	2022
Beginning balance	\$ 8,314	\$ 8,332
Measurement period adjustments ⁽¹⁾	—	(18)
Ending balance	<u>\$ 8,314</u>	<u>\$ 8,314</u>

(1) In 2022, goodwill decreased by \$ 18 million as a result of finalizing the amount of acquired net operating losses of MYR, which resulted in a decrease to the net deferred tax liability acquired.

Impairment Losses

As of December 31, 2023, there were no accumulated goodwill impairment losses.

Intangible Assets

The following table summarizes our Intangible assets, net:

(in millions)	December 31, 2023				December 31, 2022			
	Gross		Foreign Currency		Gross		Foreign Currency	
	Carrying Amount	Accumulated Amortization	Translation Adjustment	Net Carrying Amount	Carrying Amount	Accumulated Amortization	Translation Adjustment	Net Carrying Amount
Finite-lived assets:								
Intangible asset – sofosbuvir	\$ 10,720	\$ (7,050)	\$ —	\$ 3,670	\$ 10,720	\$ (6,350)	\$ —	\$ 4,370
Intangible asset – axicabtagene ciloleucel	7,110	(2,314)	—	4,796	7,110	(1,908)	—	5,202
Intangible asset – Trodelvy ⁽¹⁾	11,730	(2,002)	—	9,728	5,630	(973)	—	4,657
Intangible asset – Hepcludex	845	(243)	—	602	845	(158)	—	687
Other ⁽²⁾	1,414	(827)	1	588	1,489	(733)	1	758
Total finite-lived assets	31,819	(12,436)	1	19,384	25,794	(10,121)	1	15,674
Indefinite-lived assets – IPR&D ⁽¹⁾⁽³⁾	7,070	—	—	7,070	13,220	—	—	13,220
Total intangible assets	<u>\$ 38,889</u>	<u>\$ (12,436)</u>	<u>\$ 1</u>	<u>\$ 26,454</u>	<u>\$ 39,014</u>	<u>\$ (10,121)</u>	<u>\$ 1</u>	<u>\$ 28,894</u>

(1) In February 2023, FDA granted approval of Trodelvy for use in adult patients with unresectable locally advanced or metastatic HR+/HER2- breast cancer who have received endocrine-based therapy and at least two additional systemic therapies in the metastatic setting. Accordingly, the related IPR&D intangible asset of \$ 6.1 billion was reclassified to finite-lived assets in the first quarter of 2023.

(2) In the fourth quarter of 2023, in connection with our agreement to terminate our right to receive royalties from Galapagos related to net sales of filgotinib in Europe, we wrote-off the remaining \$ 51 million balance of our related intangible asset. See Note 7. Collaborations and Other Arrangements for additional information.

(3) In the fourth quarter of 2023, due to a change in anticipated timing of FDA approval, we recognized a \$ 50 million partial impairment of our bulevirtide IPR&D intangible asset in In-process research and development impairments on our Consolidated Statements of Income. The remaining IPR&D intangible asset balance as of December 31, 2023 was comprised of \$ 5.9 billion for non-small cell lung cancer ("NSCLC") indications of Trodelvy and \$ 1.1 billion for bulveritide.

Amortization Expense

Aggregate amortization expense related to finite-lived intangible assets was \$ 2.3 billion, \$ 1.8 billion and \$ 1.7 billion for the years ended December 31, 2023, 2022 and 2021, respectively, primarily included in Cost of goods sold on our Consolidated Statements of Income.

The following table summarizes the estimated future amortization expense associated with our finite-lived intangible assets as of December 31, 2023:

(in millions)	Amount
2024	\$ 2,384
2025	2,378
2026	2,370
2027	2,370
2028	2,309
Thereafter	7,571
Total	\$ 19,384

Impairment Assessments

No indicators of impairment were noted for the years ended December 31, 2023, 2022 and 2021, except as described in the "Intangible Assets" table above and under "2022 IPR&D Impairment" below. The weighted-average discount rates used in our quantitative assessments for IPR&D intangible assets during those years, other than for the assessment described below, were 7.5 %, 7.5 % and 6.5 %, respectively.

In January 2024, we announced that our Phase 3 EVOKE-01 study of Trodelyv evaluating sacituzumab govitecan-hziy (SG) did not meet its primary endpoint of overall survival (OS) in previously treated NSCLC. We believe that this new information represents an indicator of potential impairment in the first quarter of 2024 and, as a result, the fair value of the indefinite-lived IPR&D intangible asset related to Trodelyv may be below its carrying value. We expect to complete an interim impairment assessment of the related IPR&D intangible asset during the first quarter of 2024. To the extent that the estimated fair value is less than the carrying value of the asset, we will be required to record an impairment charge on our Consolidated Statements of Income during the three months ended March 31, 2024. Any such impairment charge, which we are unable to reasonably estimate at this time, could have a material impact on our consolidated results of operations.

2022 IPR&D Impairment

In connection with our acquisition of Immunomedics in 2020, we allocated a portion of the purchase price to acquired IPR&D intangible assets. Approximately \$ 8.8 billion was assigned to IPR&D intangible assets related to Trodelyv for treatment of patients with hormone receptor-positive, human epidermal growth factor receptor 2-negative ("HR+/HER2-") breast cancer. In March 2022, we received data from the Phase 3 TROPiCS-02 study evaluating Trodelyv in patients with HR+/HER2- metastatic breast cancer who have received prior endocrine therapy, cyclin-dependent kinase 4/6 inhibitors and two to four lines of chemotherapy ("third-line plus patients"). Based on our evaluation of the study results, and in connection with the preparation of the financial statements for the first quarter, we updated our estimate of the fair value of our HR+/HER2- IPR&D intangible asset to \$ 6.1 billion as of March 31, 2022. Our estimate of fair value used a probability-weighted income approach that discounts expected future cash flows to the present value, which requires the use of Level 3 fair value measurements and inputs, including estimated revenues, costs, and probability of technical and regulatory success. The expected cash flows included cash flows from HR+/HER2- metastatic breast cancer for third-line plus patients and patients in earlier lines of therapy which are the subject of separate clinical studies. Our revised discounted cash flows were lower primarily due to a delay in launch timing for third-line plus patients which caused a decrease in our market share assumptions based on the expected competitive environment. As of March 2022, there were no changes in our plans or assumptions related to our estimated cash flows for patients in the earlier lines of therapy. We used a discount rate of 6.75 % which is based on the estimated weighted-average cost of capital for companies with profiles similar to ours and represents the rate that market participants would use to value the intangible assets. We determined the revised estimated fair value was below the carrying value of the asset and, as a result, we recognized a partial impairment charge of \$ 2.7 billion in In-process research and development impairments on our Consolidated Statements of Income during the three months ended March 31, 2022.

10. OTHER FINANCIAL INFORMATION

Accounts Receivable, Net

The following table summarizes our Accounts receivable, net:

(in millions)	December 31,	
	2023	2022
Accounts receivable	\$ 5,495	\$ 5,464
Less: allowances for chargebacks	679	549
Less: allowances for cash discounts and other	101	83
Less: allowances for credit losses	56	55
Accounts receivable, net	<u>\$ 4,660</u>	<u>\$ 4,777</u>

The majority of our trade accounts receivable arises from product sales in the U.S. and Europe.

Inventories

The following table summarizes our Inventories:

(in millions)	December 31,	
	2023	2022
Raw materials	\$ 1,246	\$ 1,177
Work in process	847	577
Finished goods	<u>1,272</u>	<u>1,066</u>
Total	<u>\$ 3,366</u>	<u>\$ 2,820</u>
Reported as:		
Inventories	\$ 1,787	\$ 1,507
Other long-term assets ⁽¹⁾	1,578	1,313
Total	<u>\$ 3,366</u>	<u>\$ 2,820</u>

⁽¹⁾ Amounts primarily consist of raw materials.

Other Current Liabilities

The following table summarizes the components of Other current liabilities:

(in millions)	December 31,	
	2023	2022
Compensation and employee benefits	\$ 1,201	\$ 1,018
Income taxes payable	1,208	959
Allowance for sales returns	387	422
Other	2,334	2,182
Other current liabilities	<u>\$ 5,130</u>	<u>\$ 4,580</u>

Accumulated Other Comprehensive Income (Loss)

The following table summarizes the changes in Accumulated other comprehensive income (loss) by component, net of tax:

(in millions)	Foreign Currency Translation	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
		Unrealized Gains and Losses on Available- for-Sale Debt Securities, Net of Tax	Unrealized Gains and Losses on Cash Flow Hedges, Net of Tax			
Balance as of December 31, 2020	\$ 51	\$ 2	\$ (113)	\$ (60)		
Net unrealized (loss) gain	(38)	(6)	129		85	
Reclassifications to net income	—	—	58		58	
Other comprehensive (loss) income, net	(38)	(6)	187		143	
Balance as of December 31, 2021	\$ 13	\$ (4)	\$ 74	\$ 83		
Net unrealized (loss) gain	\$ (11)	\$ (30)	\$ 130	\$ 88		
Reclassifications to net income	—	1	(171)		(170)	
Other comprehensive loss, net	(11)	(29)	(41)		(81)	
Balance as of December 31, 2022	\$ 2	\$ (33)	\$ 33	\$ 2		
Net unrealized gain (loss)	\$ 60	\$ 26	\$ (12)	\$ 75		
Reclassifications to net income	—	2	(51)		(49)	
Other comprehensive income (loss), net	60	28	(62)		26	
Balance as of December 31, 2023	\$ 62	\$ (5)	\$ (29)	\$ 28		

Restructuring

During 2023, we incurred restructuring charges totaling \$ 527 million primarily due to changes in our manufacturing strategy which included a decision to no longer utilize certain facilities. As a result of this decision, we determined that the related assets were fully impaired based on the difference between fair value and the carrying amount. The total charges consisted of write-offs of manufacturing assets of \$ 381 million, write-offs of inventory of \$ 89 million and other costs of \$ 57 million. As a result, we recorded a \$ 479 million charge to Cost of goods sold, a \$ 20 million charge to Research and development expenses and a \$ 28 million charge to Selling, general and administrative expenses on our Consolidated Statements of Income.

11. 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	December 31, 2023	December 31, 2022
Senior Unsecured	September 2016	September 2023	2.50 %	\$ —	\$ 749
Senior Unsecured	September 2020	September 2023	0.75 %	—	1,498
Senior Unsecured	March 2014	April 2024	3.70 %	1,750	1,748
Senior Unsecured	November 2014	February 2025	3.50 %	1,749	1,748
Senior Unsecured	September 2015	March 2026	3.65 %	2,744	2,742
Senior Unsecured	September 2016	March 2027	2.95 %	1,248	1,247
Senior Unsecured	September 2020	October 2027	1.20 %	747	747
Senior Unsecured	September 2020	October 2030	1.65 %	994	993
Senior Unsecured	September 2023	October 2033	5.25 %	992	—
Senior Unsecured	September 2015	September 2035	4.60 %	993	993
Senior Unsecured	September 2016	September 2036	4.00 %	743	742
Senior Unsecured	September 2020	October 2040	2.60 %	988	988
Senior Unsecured	December 2011	December 2041	5.65 %	996	996
Senior Unsecured	March 2014	April 2044	4.80 %	1,737	1,736
Senior Unsecured	November 2014	February 2045	4.50 %	1,734	1,733
Senior Unsecured	September 2015	March 2046	4.75 %	2,222	2,221
Senior Unsecured	September 2016	March 2047	4.15 %	1,729	1,728
Senior Unsecured	September 2020	October 2050	2.80 %	1,478	1,477
Senior Unsecured	September 2023	October 2053	5.55 %	988	—
Total senior unsecured notes				23,834	24,088
Liability related to future royalties				1,153	1,141
Total debt, net				24,987	25,229
Less: Current portion of long-term debt and other obligations, net				1,798	2,273
Total Long-term debt, net				\$ 23,189	\$ 22,957

Senior Unsecured Notes

In September 2023, we issued \$ 2.0 billion aggregate principal amount of senior unsecured notes in a registered offering consisting of \$ 1.0 billion principal amount of 5.25 % senior unsecured notes due October 2033 and \$ 1.0 billion principal amount of 5.55 % senior unsecured notes due October 2053. Additionally, in September 2023, we repaid at maturity \$ 2.25 billion of principal balance related to our senior unsecured notes due September 2023.

Our senior unsecured notes may be redeemed at our option at a redemption price equal to the greater of (i) 100 % of the principal amount of the notes to be redeemed and (ii) the sum, as determined by an independent investment banker, of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis at the Treasury Rate, plus a make-whole premium, which are defined in the terms of the notes. The senior unsecured notes also have a par call feature, exercisable at our option, to redeem the notes at par in whole, or in part, on dates ranging from two to six months prior to maturity. In each case, accrued and unpaid interest is also required to be redeemed to the date of redemption.

In the event of a change in control and a downgrade in the rating of our senior unsecured notes below investment grade by Moody's Investors Service, Inc. and S&P Global Ratings, the holders may require us to purchase all or a portion of their notes at a price equal to 101 % of the aggregate principal amount of the notes repurchased, plus accrued and unpaid interest to the date of repurchase. We are required to comply with certain covenants under our note indentures governing our senior unsecured notes. As of December 31, 2023 and 2022, we were not in violation of any covenants.

Liability Related to Future Royalties

In connection with our acquisition of Immunomedics, we assumed a liability related to a funding arrangement, which was originally entered into by Immunomedics and RPI Finance Trust ("RPI"), prior to our acquisition of Immunomedics. Under the funding agreement, RPI has the right to receive certain royalty amounts, subject to certain reductions, based on the net sales of Trodelvy for each calendar quarter during the term of the agreement through approximately 2036. The liability is amortized using the effective interest rate method, resulting in recognition of interest expense over 16 years. The estimated timing and amount of future expected royalty payments over the estimated term will be re-assessed each reporting period. The impact from changes in estimates will be recognized in the liability and the related interest expense prospectively.

Revolving Credit Facilities

In June 2020, we entered into a \$ 2.5 billion five-year revolving credit facility maturing in June 2025 (the "2020 Revolving Credit Facility"). The 2020 Revolving Credit Facility can be used for working capital requirements and for general corporate purposes, including, without limitation, acquisitions. As of December 31, 2023 and 2022, there were no amounts outstanding under the 2020 Revolving Credit Facility.

The 2020 Revolving Credit Facility contains customary representations, warranties, affirmative and negative covenants and events of default. As of December 31, 2023, we were in compliance with all covenants. Loans under the 2020 Revolving Credit Facility bear interest at either (i) the Term SOFR plus the Applicable Percentage, or (ii) the Base Rate plus the Applicable Percentage, each as defined in the 2020 Revolving Credit Facility agreement. We may terminate or reduce the commitments, and may prepay any loans under the credit facility in whole or in part at any time without premium or penalty.

Contractual Maturities of Financing Obligations

The following table summarizes the aggregate future principal maturities of our senior unsecured notes as of December 31, 2023:

(in millions)	Amount
2024	\$ 1,750
2025	1,750
2026	2,750
2027	2,000
2028	—
Thereafter	15,750
Total	\$ 24,000

12. LEASES

Our operating leases consist primarily of properties and equipment for our administrative, manufacturing and R&D activities. Some of our leases include options to extend the terms for up to 15 years and some include options to terminate the lease within one year after the lease commencement date. As of December 31, 2023 and 2022, we did not have material finance leases. Operating lease expense, including variable costs and short-term leases, was \$ 165 million, \$ 162 million and \$ 156 million for the years ended December 31, 2023, 2022 and 2021, respectively.

The following table summarizes balance sheet and other information related to our operating leases:

(in millions, except weighted average amounts)	Classification	December 31,	
		2023	2022
Right-of-use assets, net	Other long-term assets	\$ 581	\$ 505
Lease liabilities – current	Other current liabilities	\$ 125	\$ 111
Lease liabilities – noncurrent	Other long-term obligations	\$ 546	\$ 467
Weighted average remaining lease term		7.5 years	8.1 years
Weighted average discount rate		3.22 %	2.80 %

The following table summarizes other supplemental information related to our operating leases:

(in millions)	Year Ended December 31,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities	\$ 88	\$ 98
Right-of-use assets obtained in exchange for lease liabilities ⁽¹⁾	\$ 214	\$ 97

⁽¹⁾ These represent noncash activities and were therefore not included on our Consolidated Statements of Cash Flows.

The following table summarizes a maturity analysis of our operating lease liabilities showing the aggregate lease payments as of December 31, 2023:

(in millions)	Amount
2024	\$ 143
2025	123
2026	95
2027	76
2028	70
Thereafter	257
Total undiscounted lease payments	763
Less: imputed interest	92
Total discounted lease payments	\$ 671

13. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

We are a party to various legal actions. Certain significant matters 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, the outcome of these matters either is not expected to be material or is not possible to determine such that we cannot reasonably estimate the maximum potential exposure or the range of possible loss. We recorded an expense of \$ 525 million in 2023 in Selling, general and administrative expenses on our Consolidated Statements of Income for settlements with certain plaintiffs in the HIV antitrust litigation, which we paid in the second half of 2023. We did not have any material accruals for the matters described below as of December 31, 2023 and December 31, 2022.

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 the Patent Trial and Appeal Board ("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 FTC and tenofovir disoproxil fumarate ("TDF") or TAF 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 lawsuit against the U.S. federal government in the U.S. Court of Federal Claims ("CFC"), alleging breach of three material transfer agreements ("MTAs") related to the research underlying the HHS Patents and two clinical trial agreements ("CTAs") by the U.S. Centers for Disease Control and Prevention related to PrEP research. A trial for the bifurcated portion of the lawsuit in the CFC was held in June 2022, and in November 2022, the CFC determined that the government breached the MTAs. In January 2024, the CFC found the government liable for breach of both CTAs. In May 2023, the District Court held a trial regarding the government's patent infringement claims, and the jury rendered a full defense verdict in favor of Gilead, finding that the asserted claims of the HHS Patents are invalid and the HHS patents are not infringed. The government has filed post-trial motions, and we expect the District Court to issue a decision on those motions during the first quarter of 2024. Although we cannot predict with certainty the ultimate outcome of each of these litigation matters, we believe that the U.S. federal government breached its contracts with Gilead, 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 because physicians and patients were using the claimed methods years before HHS filed the applications for the patents. A separate trial at the CFC to determine the damages Gilead is owed based on the government's breach has yet to be scheduled.

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 products 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 prior to 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.

In October 2021, we received a letter from Lupin Ltd. ("Lupin") indicating that it has submitted an ANDA to FDA requesting permission to market and manufacture a generic version of Symtuza, a product commercialized by Janssen and for which Gilead shares in revenues. In November 2021, we, along with Janssen and Janssen Products, L.P., filed a patent infringement lawsuit against Lupin as co-plaintiffs in the U.S. District Court of Delaware. In September 2022, we received a letter from Apotex Inc. and Apotex Corp. ("Apotex") stating that they have submitted an ANDA for a generic version of Symtuza. In October 2022, we, along with Janssen and Janssen Products, L.P., filed a patent infringement lawsuit against Apotex as co-plaintiffs in the U.S. District Court of Delaware. The cases against Lupin and Apotex have been consolidated into a single trial scheduled for May 2024.

Starting in March 2022, we received letters from Lupin, Laurus Labs ("Laurus") and Cipla Ltd. ("Cipla"), indicating that they have submitted ANDAs to FDA requesting permission to market and manufacture generic versions of the adult dosage strength of Biktarvy. Lupin, Laurus, and Cipla have challenged the validity of four of the six patents listed in the Orange Book as associated with Biktarvy. We filed a lawsuit against Lupin, Laurus and Cipla in May 2022 in the U.S. District Court of Delaware, and intend to enforce and defend our intellectual property. Trial has been scheduled for October 2025. Additionally, in November 2023, we received a letter from Cipla indicating that it has submitted an ANDA to FDA requesting permission to market and manufacture a generic version of the pediatric dosage strength of Biktarvy. Cipla challenged the validity of two of the patents listed in the Orange Book as associated with Biktarvy. We filed a separate lawsuit against Cipla in December 2023 in the U.S. District Court of Delaware.

In June 2023, we received a letter from Apotex indicating that it has submitted an ANDA to FDA requesting permission to market and manufacture a generic version of Genvoya. In July 2023, we filed a patent infringement lawsuit against Apotex in the U.S. District Court of Delaware, and intend to enforce and defend our intellectual property. This case has been consolidated with the Syntuza matters discussed above, and a trial has been scheduled for June 2024.

Antitrust and Consumer Protection

We, along with Bristol-Myers Squibb Company ("BMS"), Johnson & Johnson, Inc. ("Johnson & Johnson"), and Teva Pharmaceutical Industries Ltd. ("Teva") 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. Plaintiffs allege that we (and the other 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 consolidated, are pending in the U.S. District Court for the Northern District of California. The lawsuits seek to bring claims on behalf of direct purchasers consisting largely of wholesalers and indirect or end-payor purchasers, including health insurers and individual patients. Plaintiffs seek damages, permanent injunctive relief and other relief. In the second half of 2021 and first half of 2022, several plaintiffs consisting of retail pharmacies, individual health plans and United Healthcare, filed separate lawsuits effectively opting out of the class action cases, asserting claims that are substantively the same as the classes. These cases have been coordinated with the class actions. In March 2023, the District Court granted our motion to hold separate trials as to (i) the allegations against us and Teva seeking monetary damages relating to Truvada and Atripla ("Phase I") and (ii) the allegations against us and, in part, Johnson & Johnson, seeking monetary damages and injunctive relief relating to Complera ("Phase II"). In May 2023, we settled claims with the direct purchaser class and the retailer opt-out plaintiffs for \$ 525 million, which we paid in the second half of 2023. The settlement agreements are not an admission of liability or fault by us, and are subject to a number of other conditions including, with respect to the preliminary settlement agreement between us and the direct purchaser class, court approval. In June 2023, the jury returned a complete verdict in Gilead's favor on the remaining plaintiffs' Phase I allegations. In November 2023, the court denied plaintiffs' motion to set aside the verdict. Plaintiffs have indicated they intend to appeal the jury verdict. Trial on the Phase II claims has not yet been scheduled. Plaintiffs and the Phase I defendants have requested that the court stay Phase II pending any appeal of Phase I. While we intend to vigorously defend against the Phase II claims, we cannot predict the ultimate outcome. If plaintiffs are successful in their Phase II claims, we could be required to pay monetary damages or could be subject to permanent injunctive relief in favor of plaintiffs.

In January 2022, we, along with BMS and Janssen Products, L.P., were named as defendants in a lawsuit filed in the Superior Court of the State of California, County of San Mateo, by Aetna, Inc. on behalf of itself and its affiliates and subsidiaries that effectively opts the Aetna plaintiffs out of the above class actions. The allegations are substantively the same as those in the class actions. The Aetna plaintiffs seek damages, permanent injunctive relief and other relief. In September 2023, we filed a motion for judgment on the pleadings to preclude Aetna from re-litigating claims that were dismissed at summary judgment in the above class action cases. The motion remains pending.

In September 2020, we, along with generic manufacturers Cipla and Cipla USA Inc. (together, "Cipla Defendants"), 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 the Cipla Defendants, which settled a patent dispute relating to patents covering our Emtriva, Truvada and Atripla products and permitted generic entry prior to patent expiry, violates certain federal and state antitrust and consumer protection laws. Plaintiffs sought damages, permanent injunctive relief and other relief. In January 2024, we settled plaintiffs' claim for a de minimis fee.

In February 2021, we, along with BMS and Teva, 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 antitrust and consumer protection laws. The New Mexico Attorney General seeks damages, permanent injunctive relief and other relief. We moved to dismiss the case based on lack of personal jurisdiction and, in July 2023, the New Mexico Supreme Court remanded the case back to the trial court for limited jurisdictional discovery.

We intend to vigorously defend ourselves in these actions, however, 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, which may result in a material, adverse effect on our results of operations and financial condition, including in a particular reporting period in which any such outcome becomes probable and estimable.

Product Liability

We have been named as a defendant in one class action lawsuit and various product liability lawsuits related to Viread, Truvada, Atripla, Complera and Stribild. Plaintiffs allege that Viread, Truvada, Atripla, Complera and/or Stribild caused them to experience kidney, bone and/or tooth injuries. The lawsuits, which are pending in state or federal court in California and Missouri, involve more than 25,000 active plaintiffs. Plaintiffs in these cases seek damages and other relief on various grounds for alleged personal injury and economic loss. The first bellwether trial in California state court was scheduled to begin in October 2022, but is currently stayed pending the conclusion of appellate proceedings in the California First District Court of Appeal and California Supreme Court. The first bellwether trial in California federal court is scheduled to begin in November 2024. We intend to vigorously defend ourselves in these actions, however, we cannot predict the ultimate outcome. If plaintiffs are successful in their claims, we could be required to pay significant monetary damages, which may result in a material, adverse effect on our results of operations and financial condition, including in a particular reporting period in which any such outcome becomes probable and estimable.

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

A former sales employee 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 case was unsealed in December 2020. The lawsuit alleges that certain of Gilead's HCV sales and marketing activities violated the federal False Claims Act and various state false claims acts. The lawsuit seeks all available relief under these statutes.

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 has appealed the trial court's dismissal.

Health Choice filed another qui tam lawsuit against Gilead in May 2020 making similar allegations in Texas state court. The lawsuit alleged 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 sought all available relief under the TMFPA. Health Choice voluntarily dismissed the case without prejudice in August 2023, and commenced a new action in October 2023, asserting largely identical allegations and claims. In the newly filed action, the Texas Attorney General has intervened as a plaintiff.

We intend to vigorously defend ourselves in these actions, however, 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, which may result in a material, adverse effect on our results of operations and financial condition, including in a particular reporting period in which any such outcome becomes probable and estimable.

Other Matters

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

14. EMPLOYEE BENEFITS

Stock-Based Compensation

Equity Incentive Plans Summary

In May 2004, our stockholders approved and we adopted the Gilead Sciences, Inc. 2004 Equity Incentive Plan (as amended, the "2004 Plan"). As part of the Forty Seven, Inc. acquisition in 2020, we assumed the Forty Seven, Inc. 2018 Equity Incentive Plan, which we subsequently amended and restated as the Gilead Sciences, Inc. 2018 Equity Incentive Plan (as amended and restated, the "2018 Plan"). As part of the Immunomedics acquisition in 2020, we assumed the Immunomedics Amended and Restated 2014 Long-Term Incentive Plan, which we subsequently merged into the 2004 Plan.

In May 2022, our stockholders approved and we adopted the Gilead Sciences, Inc. 2022 Equity Incentive Plan (the "2022 Plan"). The 2022 Plan authorized the issuance of a total of 132 million shares of common stock. No awards may be granted under the 2004 Plan or the 2018 Plan since the approval of the 2022 Plan.

These are broad-based incentive plans that provide for the grant of equity-based awards, including RSUs, PSUs, stock options and other restricted stock and performance awards, to employees, directors and consultants. As of December 31, 2023, a total of 82 million shares remain available for future grant under the 2022 Plan.

RSUs

We grant time-based RSUs to certain employees as part of our annual employee equity compensation review program as well as to new hire employees and to non-employee members of our Board. RSUs are share-based awards that entitle the holder to receive freely tradable shares of our common stock upon vesting. RSUs generally vest over three or four years from the date of grant. RSUs have dividend equivalent rights entitling holders to dividend equivalents to be paid upon vesting for each share of the underlying unit.

PSUs

We grant PSUs that vest upon the achievement of specified market or performance goals, which could include achieving a total shareholder return compared to a pre-determined peer group or achieving revenue targets. The actual number of common shares ultimately issued is calculated by multiplying the number of PSUs by a payout percentage ranging from 0 % to 200 %, and these awards generally vest only when a committee (or subcommittee) of our Board has determined that the specified market and performance goals have been achieved. PSUs have dividend equivalent rights entitling holders to dividend equivalents to be paid upon vesting for each share of the underlying unit.

Stock Options

Option grants are designated as either non-statutory or incentive stock options. The exercise price of stock options may not be less than the fair market value of our common stock on the grant date and no stock option may have a term in excess of 10 years. Employee stock options generally vest over three or four years. Stock options may be settled in cash or in shares of our common stock, including a net issuance using shares otherwise purchasable under the option to pay the exercise price.

ESPP Summary

Under our ESPP, employees can purchase shares of our common stock based on a percentage of their compensation subject to certain limits. The purchase price per share is equal to the lower of 85 % of the fair market value of our common stock on the offering date or the purchase date. The ESPP offers a six-month look-back feature. ESPP purchases are settled with common stock from the ESPP's previously authorized and available pool of shares. A total of 104 million shares of common stock have been authorized for issuance under the ESPP, and there were 26 million shares available for issuance under the ESPP as of December 31, 2023.

Stock-Based Compensation Expense

The following tables summarize total stock-based compensation expense included on our Consolidated Statements of Income, classified by award type and expense type:

(in millions)	Year Ended December 31,		
	2023	2022	2021
RSUs	\$ 666	\$ 557	\$ 558
PSUs	32	25	17
Stock options	30	28	29
ESPP	37	26	31
Acquisition-related expense ⁽¹⁾	29	8	—
Stock-based compensation expense included in total costs and expenses	<u>\$ 796</u>	<u>\$ 645</u>	<u>\$ 635</u>

⁽¹⁾ Accelerated post-acquisition stock-based compensation expenses of \$ 19 million and \$ 10 million related to the 2023 XinThera and Tmunity acquisitions, respectively, and \$ 8 million related to the 2022 MiroBio acquisition.

(in millions)	Year Ended December 31,		
	2023	2022	2021
Cost of goods sold	\$ 57	\$ 46	\$ 40
Research and development expenses	377	285	287
Selling, general and administrative expenses	361	313	308
Stock-based compensation expense included in total costs and expenses	796	645	635
Income tax effect	(165)	(91)	(100)
Stock-based compensation expense, net of tax	<u>\$ 630</u>	<u>\$ 553</u>	<u>\$ 535</u>

RSUs

The following tables summarize our RSU activity:

(in millions, except per share amounts)	RSUs		
	Shares	Weighted-Average	
		Grant Date	Fair Value Per Share
Outstanding as of December 31, 2022	23.6	\$ 63.62	
Granted	11.5	\$ 79.66	
Vested	(10.7)	\$ 63.78	
Forfeited	(1.6)	\$ 69.31	
Outstanding as of December 31, 2023	<u>22.7</u>	<u>\$ 71.24</u>	

(in millions, except per share amounts)	Year Ended December 31,		
	2023	2022	2021
Weighted-average grant date fair value of RSUs granted	\$ 79.66	\$ 60.36	\$ 65.42
Total fair value of RSUs as of the respective vesting dates	\$ 849	\$ 554	\$ 463

As of December 31, 2023, there was \$ 1 billion of unrecognized compensation cost related to unvested RSUs, which is expected to be recognized over a weighted-average period of 2.2 years.

PSUs

The following tables summarize our PSU activity:

(in millions, except per share amounts)	PSUs		
	Shares	Weighted-Average	
		Grant Date Fair Value	Per Share
Outstanding as of December 31, 2022	1.0	\$ 64.28	
Granted	0.5	\$ 81.39	
Vested	(0.4)	\$ 79.62	
Forfeited	(0.1)	\$ 59.95	
Outstanding as of December 31, 2023	1.0	\$ 67.48	

(in millions, except per share amounts)	Year Ended December 31,		
	2023	2022	2021
Weighted-average grant date fair value of PSUs granted	\$ 81.39	\$ 60.04	\$ 71.31
Total fair value of PSUs as of the respective vesting dates	\$ 35	\$ 14	\$ 8

As of December 31, 2023, there was \$ 27 million of unrecognized compensation cost related to unvested PSUs, which is expected to be recognized over a weighted-average period of 1.2 years.

Stock Options

The following tables summarize activity and other information related to our stock options:

	Shares (in millions)	Weighted-Average Exercise Price (in dollars)	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in millions) ⁽¹⁾	
				2023	2022
Outstanding as of December 31, 2022	14.4	\$ 67.69			
Granted	2.1	\$ 79.53			
Exercised	(1.5)	\$ 64.72			
Forfeited	(0.5)	\$ 66.91			
Expired	(0.2)	\$ 92.76			
Outstanding as of December 31, 2023	14.3	\$ 69.38		6.10	\$ 177
Exercisable as of December 31, 2023	9.2	\$ 70.00		4.97	\$ 112
Expected to vest, net of estimated forfeitures as of December 31, 2023	4.8	\$ 68.19		8.16	\$ 61

⁽¹⁾ Aggregate intrinsic value represents the value of our closing stock price on the last trading day of the year in excess of the weighted-average exercise price multiplied by the number of options outstanding or exercisable.

(in millions, except per share amounts)	Year Ended December 31,		
	2023	2022	2021
Weighted-average grant date fair value of stock options granted	\$ 16.11	\$ 9.08	\$ 10.05
Total intrinsic value of options exercised	\$ 25	\$ 59	\$ 48

We used the following weighted-average assumptions in the Black-Scholes model to calculate the estimated fair value of the stock option awards:

	Year Ended December 31,		
	2023	2022	2021
Expected volatility	26 %	27 %	29 %
Expected terms in years	5	5	5
Risk-free interest rate	4.1 %	1.9 %	0.8 %
Expected dividend yield	3.5 %	4.3 %	4.4 %

As of December 31, 2023, there was \$ 46 million of unrecognized compensation cost related to stock options, which is expected to be recognized over an estimated weighted-average period of 2.2 years.

ESPP

The following table summarizes our ESPP activity:

(in millions, except per share amounts)	Year Ended December 31,		
	2023	2022	2021
Shares issued	2	2	2
Amount paid by employees for shares	\$ 129	\$ 103	\$ 111
Weighted-average grant date fair value of ESPP shares granted	\$ 17.31	\$ 13.40	\$ 14.58
Total fair value of ESPP shares as of the respective vesting dates	\$ 45	\$ 21	\$ 23

We used the following weighted-average assumptions in the Black-Scholes model to calculate the estimated fair value of the ESPP awards:

	Year Ended December 31,		
	2023	2022	2021
Expected volatility	24 %	23 %	25 %
Expected terms in years	0.5	0.5	0.5
Risk-free interest rate	5.1 %	1.8 %	0.1 %
Expected dividend yield	3.7 %	4.5 %	4.4 %

Deferred Compensation

We maintain a retirement saving plan under which eligible U.S. employees may defer compensation for income tax purposes under Section 401(k) of the Internal Revenue Code (the "Gilead Sciences 401k Plan"). In certain foreign subsidiaries, we maintain defined benefit plans as required by local regulatory requirements. Our total matching contribution expense under the Gilead Sciences 401k Plan and other defined benefit plans was \$ 208 million, \$ 176 million and \$ 166 million for the years ended December 31, 2023, 2022 and 2021, respectively.

We maintain a deferred compensation plan under which our directors and key employees may defer compensation. Amounts deferred by participants are deposited into a rabbi trust. The total assets and liabilities associated with the deferred compensation plan were both approximately \$ 284 million and \$ 220 million as of December 31, 2023 and 2022, respectively.

15. EARNINGS PER SHARE

The following table shows the calculation of basic and diluted earnings per share attributable to Gilead:

(in millions, except per share amounts)	Year Ended December 31,		
	2023	2022	2021
Net income attributable to Gilead	\$ 5,665	\$ 4,592	\$ 6,225
Shares used in basic earnings per share attributable to Gilead calculation	1,248	1,255	1,256
Dilutive effect of stock options and equivalents	10	7	6
Shares used in diluted earnings per share attributable to Gilead calculation	1,258	1,262	1,262
Basic earnings per share attributable to Gilead	4.54	3.66	4.96
Diluted earnings per share attributable to Gilead	4.50	3.64	4.93

Potential shares of common stock excluded from the computation of Diluted earnings per share attributable to Gilead because their effect would have been antidilutive were 4 million, 12 million and 15 million for the years ended December 31, 2023, 2022 and 2021, respectively.

16. INCOME TAXES

Income before income taxes consists of the following:

(in millions)	Year Ended December 31,		
	2023	2022	2021
Domestic	\$ 5,467	\$ 4,439	\$ 8,587
Foreign	1,392	1,375	(309)
Income before income taxes	<u>\$ 6,859</u>	<u>\$ 5,814</u>	<u>\$ 8,278</u>

Income tax expense consists of the following:

(in millions)	Year Ended December 31,		
	2023	2022	2021
Federal:			
Current	\$ (1,781)	\$ (2,539)	\$ (1,776)
Deferred	1,126	1,502	250
	(655)	(1,037)	(1,526)
State:			
Current	(80)	(32)	(228)
Deferred	(170)	154	(185)
	(250)	122	(413)
Foreign:			
Current	(381)	(232)	(185)
Deferred	39	(101)	47
	(342)	(333)	(138)
Income tax expense	<u>\$ (1,247)</u>	<u>\$ (1,248)</u>	<u>\$ (2,077)</u>

The reconciliation between the federal statutory tax rate applied to Income before income taxes and our effective tax rate is summarized as follows:

	Year Ended December 31,		
	2023	2022	2021
Federal statutory rate	21.0 %	21.0 %	21.0 %
State taxes, net of federal benefit	2.3 %	(2.0)%	2.5 %
Foreign earnings at different rates	(0.2)%	(0.6)%	(0.3)%
Research and other credits	(4.3)%	(2.7)%	(1.6)%
US tax on foreign earnings	1.0 %	2.7 %	1.1 %
Foreign-derived intangible income deduction	(2.1)%	(3.8)%	(1.6)%
Tax examinations	(4.7)%	(0.2)%	(0.7)%
Acquired IPR&D & related charges	1.3 %	1.4 %	— %
Changes in valuation allowance	0.9 %	1.2 %	1.5 %
Non-taxable unrealized loss on investment	0.2 %	0.7 %	1.8 %
Other	2.8 %	3.8 %	1.4 %
Effective tax rate	<u>18.2 %</u>	<u>21.5 %</u>	<u>25.1 %</u>

Significant components of our deferred tax assets and liabilities are as follows:

(in millions)	December 31,	
	2023	2022
Deferred tax assets:		
Net operating loss carryforwards	\$ 417	\$ 430
Stock-based compensation	94	95
Reserves and accruals not currently deductible	644	645
Excess of tax basis over book basis of intangible assets	1,041	1,067
Upfront and milestone payments	1,271	1,298
Research and other credit carryforwards	283	233
Equity investments	221	196
Liability related to future royalties	296	278
Capitalized R&D expenditures	1,623	784
Other, net	320	263
Total deferred tax assets before valuation allowance	6,210	5,289
Valuation allowance	(663)	(599)
Total deferred tax assets	5,547	4,690
Deferred tax liabilities:		
Property, plant and equipment	(274)	(234)
Excess of book basis over tax basis of intangible assets	(5,481)	(5,728)
Other	(184)	(160)
Total deferred tax liabilities	(5,939)	(6,122)
Net deferred tax assets (liabilities)	<u>\$ (392)</u>	<u>\$ (1,432)</u>

The valuation allowance increased by \$ 64 million and \$ 79 million for the years ended December 31, 2023 and December 31, 2022, respectively, primarily due to unrealized losses on our equity investments which are subject to a full valuation allowance.

As of December 31, 2023, we had U.S. federal net operating loss and tax credit carryforwards of approximately \$ 388 million and \$ 12 million, respectively, which will start to expire in 2025 and 2024, respectively, if not utilized. In addition, we had state net operating loss and tax credit carryforwards of approximately \$ 2.7 billion and \$ 1.0 billion, respectively, which will start to expire in 2024, if not utilized. Utilization of net operating losses and tax credits may be subject to an annual limitation due to ownership change limitations provided in the Internal Revenue Code of 1986, as amended, and similar state provisions. This annual limitation may result in the expiration of the net operating losses and credits before utilization.

We file federal, state and foreign income tax returns in the U.S. and in many foreign jurisdictions. For federal income tax purposes, the statute of limitations is open for 2016 and onwards and 2013 and onwards for California income tax purposes. For certain acquired entities, the statute of limitations is open for all years from inception due to our utilization of their net operating losses and credits carried over from prior years.

Our income tax returns are subject to audit by federal, state and foreign tax authorities. We are currently under examination by the Internal Revenue Service for our 2016 to 2018 tax years. 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 periodically evaluate our exposures associated with our tax filing positions.

Of the total unrecognized tax benefits, \$ 929 million and \$ 946 million as of December 31, 2023 and 2022, respectively, if recognized, would reduce our effective tax rate in the period of recognition. Interest and penalties related to unrecognized tax benefits included income tax benefit of \$ 35 million, income tax benefit of \$ 3 million, and income tax expense of \$ 41 million on our Consolidated Statements of Income for the years ended December 31, 2023, 2022 and 2021, respectively. Accrued interest and penalties related to unrecognized tax benefits were \$ 180 million and \$ 215 million as of December 31, 2023 and 2022, respectively. We believe that it is reasonably possible that our unrecognized tax benefits may further decrease by approximately \$ 400 million in the next 12 months due to potential resolutions with a tax authority.

The following is a rollforward of our total gross unrecognized tax benefits:

(in millions)	Year Ended December 31,		
	2023	2022	2021
Beginning balance	\$ 1,959	\$ 1,713	\$ 1,614
Tax positions related to current year:			
Additions	265	129	147
Reductions	—	—	—
Tax positions related to prior years:			
Additions	109	225	161
Reductions	(315)	(31)	(179)
Settlements	(42)	(10)	(28)
Lapse of statute of limitations	(13)	(68)	(2)
Ending balance	<u>\$ 1,962</u>	<u>\$ 1,959</u>	<u>\$ 1,713</u>

In connection with the Tax Cuts and Jobs Act, we recorded a federal income tax payable for transition tax on the mandatory deemed repatriation of foreign earnings that is payable over an eight-year period. Federal income tax payable for transition tax was \$ 2.4 billion and \$ 3.5 billion as of December 31, 2023 and 2022, respectively.

The following table summarizes the anticipated timing of payments associated with this transition tax as of December 31, 2023:

(in millions)	Amount
2024	\$ 1,182
2025	1,252
Total	<u>\$ 2,434</u>

17. SUBSEQUENT EVENTS

We have evaluated subsequent events and determined that, in addition to those already disclosed elsewhere in the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K, the following events or transactions met the definition of a subsequent event for purposes of recognition or disclosure:

Dividend

In February 2024, we announced that our Board of Directors declared a quarterly cash dividend increase of 2.7 % from \$ 0.75 to \$ 0.77 per share of our common stock, with a payment date of March 28, 2024 to all stockholders of record as of the close of business on March 15, 2024. Future dividends are subject to declaration by our Board of Directors.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Gilead Sciences, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Gilead Sciences, Inc.'s internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Gilead Sciences, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes and our report dated February 23, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Mateo, California

February 23, 2024

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

An evaluation as of December 31, 2023 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) and 15d-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 the company's management, including its 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 December 31, 2023.

(b) Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control system is designed to provide reasonable assurance regarding the preparation and fair presentation of financial statements for external purposes in accordance with generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations and can provide only reasonable assurance that the objectives of the internal control system are met.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting, based on criteria established by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in its 2013 Internal Control-Integrated Framework. Based on our evaluation, we concluded that our internal control over financial reporting was effective as of December 31, 2023.

Our independent registered public accounting firm, Ernst & Young LLP, has audited our Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K and have issued a report on our internal control over financial reporting as of December 31, 2023. Its report on the audit of internal control over financial reporting appears above.

(c) 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 during the quarter ended December 31, 2023, to identify any change that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. In August 2023, we began deploying a new enterprise resource planning system ("ERP") as well as other related systems. We have made changes to our internal control over financial reporting to address the related processes and systems. We will continue to evaluate any further changes in our internal control over financial reporting over the course of the implementation of the new ERP and other related systems, which is scheduled to occur in phases over the next few years.

ITEM 9B. OTHER INFORMATION

On November 9, 2023, Merdad V. Parsey, M.D., PhD., our Chief Medical Officer, adopted a trading plan intended to satisfy Rule 10b5-1(c) under the Exchange Act to sell, subject to certain conditions, through November 8, 2024: (a) up to 29,393 shares of our common stock; (b) the total number of shares of our common stock sufficient to cover costs and fees and to satisfy applicable withholding taxes in connection with the exercise of 64,376 stock options; and (c) 25% of net shares of our common stock to be issued to Dr. Parsey after the satisfaction of applicable withholding taxes following the potential vesting and settlement of up to 56,624 performance shares.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item concerning our directors and executive officers is incorporated by reference to the sections of our Definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with our 2024 Annual Meeting of Stockholders (the "Proxy Statement") under the headings "The Gilead Board of Directors - Nominees," "Board Structure," "Executive Officers," and, if applicable, "Delinquent Section 16(a) Reports."

Our written Code of Ethics applies to all of our directors and employees, including our executive officers, including without limitation our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. The Code of Ethics is available on our website at www.gilead.com in the "Investors" section under "Governance - Governance Documents." We intend to disclose future amendments to certain provisions of the Code of Ethics, and waivers of the Code of Ethics granted to executive officers and directors, on the website within four business days following the date of the amendment or waiver.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the sections of the Proxy Statement under the headings "Executive Compensation," "Committees of our Board of Directors," "Compensation and Talent Committee Report," and "Compensation of Non-Employee Board Members."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference to Item 5 of our Annual Report on Form 10-K under the heading "Securities Authorized For Issuance Under Equity Compensation Plans" and the section of the Proxy Statement under the heading "Security Ownership of Certain Beneficial Owners and Management."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference to the sections of the Proxy Statement under the headings "The Gilead Board of Directors" and "Board Processes."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference to the section of the Proxy Statement under the heading "Principal Accountant Fees and Services."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report on Form 10-K:

(1) Index list to Consolidated Financial Statements:

Report of Independent Registered Public Accounting Firm (PCAOB ID: 42)	50
Audited Consolidated Financial Statements:	
Consolidated Balance Sheets	52
Consolidated Statements of Income	53
Consolidated Statements of Comprehensive Income	54
Consolidated Statements of Stockholders' Equity	55
Consolidated Statements of Cash Flows	56
Notes to Consolidated Financial Statements	57

(2) All other schedules are omitted because they are not required or the required information is included in the financial statements or notes thereto.

(3) Exhibits.

The following exhibits are filed herewith or incorporated by reference:

Exhibit	Footnote	Exhibit Number	Description of Document
	(1)	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 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 Registrant and Wells Fargo Bank, National Association, as Trustee (including Form of 2027 Note, Form of 2030 Note, Form of 2040 Note, and Form of 2050 Note)</u>
	(10)	4.10	<u>Ninth Supplemental Indenture, dated as of September 14, 2023, between the Registrant and Computershare Trust Company, National Association, as successor to Wells Fargo Bank, National Association, as Trustee (including Form of 2033 Note and Form of 2053 Note)</u>
	(11)	4.11	<u>Description of Registrant's Securities</u>
	(12)	10.1*	<u>Gilead Sciences, Inc. 2004 Equity Incentive Plan, amended and restated May 10, 2017</u>
	(13)	10.2*	<u>Amendment No. 1 to Gilead Sciences, Inc. 2004 Equity Incentive Plan, amended and restated May 10, 2017</u>
	(14)	10.3*	<u>Gilead Sciences, Inc. 2022 Equity Incentive Plan</u>
	(15)	10.4*	<u>Form of employee stock option agreement under 2004 Equity Incentive Plan (for grants made in 2011 through 2018)</u>
	(16)	10.5*	<u>Form of employee stock option agreement under 2004 Equity Incentive Plan (for grants made in 2019)</u>
	(17)	10.6*	<u>Form of global employee stock option agreement under 2004 Equity Incentive Plan (4 year vest) (for grants made in 2019)</u>
	(18)	10.7*	<u>Form of global employee stock option agreement under 2004 Equity Incentive Plan (4 year vest) (for grants made in 2020)</u>
	(19)	10.8*	<u>Form of global employee stock option agreement under 2004 Equity Incentive Plan (4 year vest) (for grants made in 2021)</u>
	(20)	10.9*	<u>Form of global employee stock option agreement under 2004 Equity Incentive Plan (4 year vest) (for certain grants made in 2022)</u>
	(21)	10.10*	<u>Form of global employee stock option agreement under 2004 Equity Incentive Plan (4 year vest) (for certain grants made in 2022)</u>
	(22)	10.11*	<u>Form of global employee stock option agreement under 2022 Equity Incentive Plan (4 year vest) (for certain grants commencing in 2023)</u>
	(23)	10.12*	<u>Form of non-employee director stock option agreement under 2004 Equity Incentive Plan (for grants made in 2014 through 2018)</u>
	(16)	10.13*	<u>Form of non-employee director stock option agreement under 2004 Equity Incentive Plan (for grants made in 2019)</u>
	(24)	10.14*	<u>Form of non-employee director stock option agreement under 2004 Equity Incentive Plan (for grants made in 2020 and 2021)</u>
	(21)	10.15*	<u>Form of non-employee director stock option agreement under 2022 Equity Incentive Plan (for grants made in 2022)</u>
	(25)	10.16*	<u>Form of non-employee director stock option agreement under 2022 Equity Incentive Plan (for grants commencing in 2023)</u>
	(18)	10.17*	<u>Form of performance share award agreement - TSR Goals (U.S.) under 2004 Equity Incentive Plan (for grants made in 2020)</u>
	(19)	10.18*	<u>Form of performance share award agreement - TSR Goals (U.S.) under 2004 Equity Incentive Plan (for grants made in 2021)</u>
	(20)	10.19*	<u>Form of performance share award agreement - TSR Goals (U.S.) under 2004 Equity Incentive Plan (for grants commencing in 2022)</u>
	(22)	10.20*	<u>Form of performance share award agreement - TSR Goals (U.S.) under 2022 Equity Incentive Plan (for grants commencing in 2023)</u>

(18)	10.21*	<u>Form of performance share award agreement - Revenue Goals (U.S.) under 2004 Equity Incentive Plan (for grants made in 2020)</u>
(19)	10.22*	<u>Form of performance share award agreement - Revenue Goals (U.S.) under 2004 Equity Incentive Plan (for grants made in 2021)</u>
(20)	10.23*	<u>Form of performance share award agreement - Revenue Goals (U.S.) under 2004 Equity Incentive Plan (for grants commencing in 2022)</u>

(22)	10.24*	Form of performance share award agreement - Revenue Goals (U.S.) under 2022 Equity Incentive Plan (for grants commencing in 2023)
(16)	10.25*	Form of employee restricted stock unit issuance agreement under 2004 Equity Incentive Plan (for grants made in 2019)
(17)	10.26*	Form of global employee restricted stock unit issuance agreement under 2004 Equity Incentive Plan (4 year vest) (for grants made in 2019)
(18)	10.27*	Form of global employee restricted stock unit issuance agreement under 2004 Equity Incentive Plan (4 year vest) (for grants made in 2020)
(19)	10.28*	Form of global employee restricted stock unit issuance agreement under 2004 Equity Incentive Plan (4 year vest) (for grants made in 2021)
(20)	10.29*	Form of global employee restricted stock unit issuance agreement under 2004 Equity Incentive Plan (4 year vest) (for certain grants made in 2022)
(21)	10.30*	Form of global employee restricted stock unit agreement under 2022 Equity Incentive Plan (4 year vest) (for certain grants made in 2022)
(22)	10.31*	Form of global employee restricted stock unit agreement under 2022 Equity Incentive Plan (4 year vest) (for grants commencing in 2023)
(25)	10.32*	Form of non-employee director restricted stock unit agreement under 2022 Equity Incentive Plan (for grants commencing in 2023)
(24)	10.33*	Gilead Sciences, Inc. 2018 Equity Incentive Plan, amended and restated April 7, 2020
(26)	10.34*	Gilead Sciences, Inc. Employee Stock Purchase Plan, amended and restated January 25, 2023
(16)	10.35*	Gilead Sciences, Inc. 2005 Deferred Compensation Plan, amended and restated April 19, 2016
(24)	10.36*	Gilead Sciences, Inc. Severance Plan, amended and restated May 5, 2020
(27)	10.37*	Gilead Sciences, Inc. Corporate Annual Incentive Plan, amended and restated August 1, 2023
(28)	10.38*	Offer Letter between Registrant and Daniel O'Day, dated November 30, 2018
(16)	10.39*	Stock option agreement for Daniel O'Day under 2004 Equity Incentive Plan
(16)	10.40*	Form of restricted stock unit issuance agreement for Daniel O'Day (in 2019) under 2004 Equity Incentive Plan
(16)	10.41*	Offer Letter between Registrant and Johanna Mercier, dated May 21, 2019
(18)	10.42*	Global stock option agreement for Johanna Mercier (in 2019) under 2004 Equity Incentive Plan
(18)	10.43*	Restricted stock unit issuance agreement for Johanna Mercier (for Performance Objectives in 2019-2020) under 2004 Equity Incentive Plan
(18)	10.44*	Offer Letter between Registrant and Merdad Parsey, dated September 29, 2019
(18)	10.45*	Global stock option agreement for Merdad Parsey (in 2019) under 2004 Equity Incentive Plan
(22)	10.45*	Offer Letter between Registrant and Deborah Telman, dated June 2, 2022
(22)	10.47*	Global stock option agreement for Deborah Telman under 2022 Equity Incentive Plan
(22)	10.48*	Global restricted stock unit issuance agreement for Deborah Telman under 2022 Equity Incentive Plan (3 year vest)
(22)	10.49*	Global restricted stock unit issuance agreement for Deborah Telman under 2022 Equity Incentive Plan (4 year vest)
(29)	10.50*	Form of Indemnity Agreement entered into between Registrant and its directors and executive officers
(29)	10.51*	Form of Employee Proprietary Information and Invention Agreement entered into between Registrant and certain of its officers and key employees
(30)	10.52*	Form of Employee Proprietary Information and Invention Agreement entered into between Registrant and certain of its officers and key employees (revised September 2006)
+(31)	10.53*	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)
+(32)	10.54*	Amendment Agreement between Registrant and IOCB/REGA, dated December 27, 2000, amending the 1991 License Agreement and the December 1992 License Agreement
+(33)	10.55	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
+(34)	10.56	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
+(35)	10.57	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
+(36)	10.58	Royalty Sale Agreement by and among Registrant, Emory University and Investors Trust & Custodial Services (Ireland) Limited, solely in its capacity as Trustee of Royalty Pharma, dated July 18, 2005
+(36)	10.59	Amended and Restated License Agreement by and between Registrant, Emory University and Investors Trust & Custodial Services (Ireland) Limited, solely in its capacity as Trustee of Royalty Pharma, dated July 21, 2005
++(37)	10.60	Amended and Restated EVG License Agreement by and between Japan Tobacco Inc. and Registrant, dated November 29, 2018

++(37)	10.61	<u>Master Agreement by and between Registrant, Gilead Sciences K.K. and Japan Tobacco Inc., dated November 29, 2018</u>
+(38)	10.62	<u>Amended and Restated Collaboration Agreement by and among Registrant, Gilead Sciences Ireland UC (formerly Gilead Sciences Limited) and Janssen R&D Ireland, dated December 23, 2014</u>
+(39)	10.63	<u>License Agreement by and among Kite Pharma, Inc., Cabaret Biotech Ltd. and Dr. Zelig Eshhar, dated December 12, 2013</u>
++(17)	10.64	<u>Option, License and Collaboration Agreement by and between Galapagos NV and Registrant, dated July 14, 2019</u>
	21.1**	<u>Subsidiaries of Registrant</u>
	23.1**	<u>Consent of Independent Registered Public Accounting Firm</u>
	24.1**	<u>Power of Attorney (included on the signature page of this report)</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>
	97.1**	<u>Gilead Sciences, Inc. Compensation Recovery Policy</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 May 9, 2019, and incorporated herein by reference.
- (2) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on February 6, 2023, 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 Current Report on Form 8-K filed on September 14, 2023, and incorporated herein by reference.
- (11) 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.
- (12) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on May 12, 2017, and incorporated herein by reference.
- (13) 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.
- (14) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on May 5, 2022, and incorporated herein by reference.
- (15) 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.
- (16) 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.
- (17) 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.
- (18) 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.
- (19) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, and incorporated herein by reference.
- (20) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, and incorporated herein by reference.
- (21) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, and incorporated herein by reference.
- (22) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, and incorporated herein by reference.
- (23) 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.
- (24) 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.
- (25) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, and incorporated herein by reference.
- (26) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on May 5, 2023, and incorporated herein by reference.
- (27) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, and incorporated herein by reference.
- (28) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on December 10, 2018, and incorporated herein by reference.
- (29) Filed as an exhibit to Registrant's Registration Statement on Form S-1 (No. 33-55680), as amended, and incorporated herein by reference.
- (30) 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.
- (31) 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.
- (32) 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.
- (33) 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.

- (34) 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.
- (35) 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.
- (36) 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.
- (37) 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.
- (38) 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.
- (39) 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 portions of this Exhibit were omitted by means of marking such portions with the Mark because the identified portions are (i) private or confidential and (ii) and not material.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GILEAD SCIENCES, INC.

By: /s/ DANIEL P. O'DAY

Daniel P. O'Day
Chairman and Chief Executive Officer

Date: February 23, 2024

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Daniel P. O'Day and Deborah H. Telman, and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place, and stead, in any and all capacities, to sign any and all amendments to this Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming that all said attorneys-in-fact and agents, or any of them or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ DANIEL P. O'DAY Daniel P. O'Day	Chairman and Chief Executive Officer (<i>Principal Executive Officer</i>)	February 23, 2024
/s/ ANDREW D. DICKINSON Andrew D. Dickinson	Chief Financial Officer (<i>Principal Financial Officer</i>)	February 23, 2024
/s/ SANDRA PATTERSON Sandra Patterson	Senior Vice President and Chief Accounting Officer (<i>Principal Accounting Officer</i>)	February 23, 2024
/s/ JACQUELINE K. BARTON Jacqueline K. Barton, Ph.D.	Director	February 23, 2024
/s/ JEFFREY A. BLUESTONE Jeffrey A. Bluestone, Ph.D.	Director	February 23, 2024
/s/ SANDRA J. HORNING Sandra J. Horning, M.D.	Director	February 23, 2024
/s/ KELLY A. KRAMER Kelly A. Kramer	Director	February 23, 2024
/s/ KEVIN E. LOFTON Kevin E. Lofton	Director	February 23, 2024
/s/ TED W. LOVE Ted W. Love, M.D.	Director	February 23, 2024
/s/ HARISH MANWANI Harish Manwani	Director	February 23, 2024
/s/ JAVIER J. RODRIGUEZ Javier J. Rodriguez	Director	February 23, 2024
/s/ ANTHONY WELTERS Anthony Welters	Director	February 23, 2024

SUBSIDIARIES OF GILEAD SCIENCES, INC.

(as of December 31, 2023)

NAME OF SUBSIDIARY	COUNTRY OF FORMATION
Asegua Therapeutics LLC	United States
Forty Seven, Inc.	United States
Forty Seven Holdings, LLC	United States
Gilead Alberta, LLC	United States
Gilead Apollo, LLC	United States
Gilead Biopharmaceutics US LLC	United States
Gilead Calistoga, LLC	United States
Gilead Connecticut, Inc.	United States
Gilead Holdings, LLC	United States
Gilead Pharmasset LLC	United States
Gilead Sciences, LLC	United States
Gilead Sciences Holding, LLC	United States
Immunomedics, Inc.	United States
IBC Pharmaceuticals, Inc.	United States
Kite Pharma, Inc.	United States
Kite Pharma, LLC	United States
neoKite, Inc.	United States
Tmunity Therapeutics, Inc.	United States
XinThera, Inc.	United States
Gilead Sciences Argentina S.R.L.	Argentina
Cytopia Pty. Ltd.	Australia
Gilead Sciences Pty. Ltd.	Australia
Gilead Sciences YM Australia Pty. Ltd.	Australia
YM BioSciences Australia Pty. Ltd.	Australia
Gilead Sciences GesmbH.	Austria
Gilead Sciences Belgium BV	Belgium
Gilead Sciences Farmacêutica do Brasil Ltda.	Brazil
Gilead Alberta ULC	Canada
Gilead Sciences Canada, Inc.	Canada
Gilead YM ULC	Canada
Fosun Pharma Kite Biotechnology Co., Ltd.	China
Gilead Sciences (Shanghai) Consulting Co., Ltd.	China
Gilead Sciences Hangzhou Pharmaceutical Co., Ltd.	China
Gilead Sciences Shanghai Pharmaceutical Technology Co., Ltd.	China
Gilead Sciences Colombia S.A.S.	Colombia
Gilead Sciences s.r.o.	Czech Republic
Gilead Sciences Denmark ApS	Denmark
Gilead Sciences Finland Oy	Finland
Gilead Sciences SAS	France
Gilead Sciences GmbH	Germany
Immunomedics GmbH	Germany
MYR GmbH	Germany
Gilead Sciences Hellas EPE	Greece
Gilead Sciences Hong Kong Limited	Hong Kong
Gilead Sciences India Private Limited	India
Gilead Apollo Unlimited Company	Ireland
Gilead Biopharmaceutics Ireland UC	Ireland
Gilead Sciences Ireland Unlimited Company	Ireland
Gilead Therapeutics A1 Unlimited Company	Ireland

SUBSIDIARIES OF GILEAD SCIENCES, INC. (continued)

(as of December 31, 2023)

NAME OF SUBSIDIARY	COUNTRY OF FORMATION
Gilead Sciences Israel Limited	Israel
Gilead Sciences S.r.l.	Italy
Gilead Sciences KK	Japan
Gilead Sciences Luxembourg S.a.r.l.	Luxembourg
Gilead Sciences Malaysia Sdn. Bhd.	Malaysia
Gilead Sciences Mexico S. de R.L. de C.V.	Mexico
Gilead Sciences Netherlands BV	Netherlands
Kite Pharma EU B.V.	Netherlands
KP EU C.V.	Netherlands
Gilead Sciences (NZ)	New Zealand
Gilead Sciences Norway AS	Norway
Gilead Sciences Americas S. de R.L.	Panama
Gilead Sciences Poland Sp. z o.o.	Poland
Gilead Sciences Lda.	Portugal
Gilead Sciences (GSR) S.R.L.	Romania
Gilead Sciences Russia LLC	Russia
Gilead Sciences Arabia Limited Company	Saudi Arabia
Gilead Sciences Singapore Pte. Ltd.	Singapore
Gilead Sciences Slovakia s.r.o.	Slovakia
Gilead Sciences South Africa (Pty) Ltd.	South Africa
Gilead Sciences Korea Limited	South Korea
Gilead Sciences S.L.U.	Spain
Gilead Sciences Sweden AB	Sweden
Gilead Sciences Switzerland Sarl	Switzerland
Gilead Sciences Ilac Ticaret Limited Sirketi	Turkey
Gilead Sciences Europe Limited	United Kingdom
Gilead Sciences International Limited	United Kingdom
Gilead Sciences Limited	United Kingdom
MiroBio Ltd.	United Kingdom

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-81670, 33-46058, 333-58893, 333-84719, 333-117480, 333-126012, 333-135412, 333-143920, 333-151624, 333-161069, 333-163871, 333-207813, 333-219772, 333-223248, 333-238525, 333-264713, 333-249836 and 333-273766) pertaining to the Employee Stock Purchase Plan, the International Employee Stock Purchase Plan, the 2004 Equity Incentive Plan, the 2018 Equity Incentive Plan and the 2022 Equity Incentive Plan of Gilead Sciences, Inc. and the Amended & Restated 2014 Long-Term Incentive Plan of Immunomedics, Inc., and the Registration Statement on Form S-3 (No. 333-273745) of Gilead Sciences, Inc. and in the related Prospectuses, as applicable, of our reports dated February 23, 2024, with respect to the consolidated financial statements of Gilead Sciences, Inc., and the effectiveness of internal control over financial reporting of Gilead Sciences, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2023.

/s/ Ernst & Young LLP

San Mateo, California
February 23, 2024

CERTIFICATION

I, Daniel P. O'Day, certify that:

1. I have reviewed this annual report on Form 10-K of Gilead Sciences, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2024

/s/ DANIEL P. O'DAY

Daniel P. O'Day
Chairman and Chief Executive Officer

CERTIFICATION

I, Andrew D. Dickinson, certify that:

1. I have reviewed this annual report on Form 10-K of Gilead Sciences, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2024

/s/ ANDREW D. DICKINSON

Andrew D. Dickinson
Chief Financial Officer

CERTIFICATIONS

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350, as adopted), Daniel P. O'Day, the Chairman and Chief Executive Officer of Gilead Sciences, Inc. (the Company), and Andrew D. Dickinson, the Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Annual Report on Form 10-K for the annual period ended December 31, 2023 (the Report) fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 23, 2024

/s/ DANIEL P. O'DAY

Daniel P. O'Day
Chairman and Chief Executive Officer

/s/ ANDREW D. DICKINSON

Andrew D. Dickinson
Chief Financial Officer

This certification accompanies the Form 10-K to which it relates, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.

**GILEAD SCIENCES, INC.
COMPENSATION RECOVERY POLICY**

Adopted: July 26, 2023

Recoupment of Incentive-Based Compensation

Gilead Sciences, Inc. (the "Company") has adopted this compensation recovery policy as a supplement to any other compensation recovery policies in effect now or in the future at the Company. It is the policy of the Company that, in the event the Company is required to prepare an accounting restatement of the Company's financial statements due to material non-compliance with any financial reporting requirement under the federal securities laws (including any such correction that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period), the Company will recover on a reasonably prompt basis the amount of any Incentive-Based Compensation Received by any Covered Executive during the Recovery Period that exceeds the amount that otherwise would have been Received had it been determined based on the restated financial statements.

Policy Administration and Definitions

This Policy is administered by the Compensation and Talent Committee of the Company's Board of Directors (the "Committee"), subject to ratification by the independent members of the Board of Directors with respect to application of this Policy to the Company's Chief Executive Officer, and is intended to comply with, and as applicable to be administered and interpreted consistent with, and subject to the exceptions set forth in, Listing Standard 5608 adopted by The Nasdaq Stock Market LLC ("Nasdaq") to implement Rule 10D-1 under the Securities Exchange Act of 1934, as amended (collectively, "Rule 10D-1").

For purposes of this Policy:

"Incentive-Based Compensation" means any compensation that is granted, earned, or vested based in whole or in part on the Company's attainment of a financial reporting measure that was Received by a person (i) on or after October 2, 2023 and after the person began service as a Covered Executive, and (ii) who served as a Covered Executive at any time during the performance period for the Incentive-Based Compensation. A financial reporting measure is (i) any measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements and any measure derived wholly or in part from such a measure, and (ii) any measure based in whole or in part on the Company's stock price or total shareholder return.

Incentive-Based Compensation is deemed to be "Received" in the fiscal period during which the relevant financial reporting measure is attained, regardless of when the compensation is actually paid or awarded.

"Covered Executive" means any officer of the Company as defined under Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended.

"Recovery Period" means the three completed fiscal years immediately preceding the date that the Company is required to prepare the accounting restatement described in this Policy, all as determined pursuant to Rule 10D-1, and any "transition period" of less than nine months that is within or immediately following such three fiscal years.

If the Committee determines the amount of Incentive-Based Compensation Received by a Covered Executive during a Recovery Period exceeds the amount that would have been Received if determined or calculated based on the Company's restated financial results, such excess amount of Incentive-Based Compensation shall be subject to recoupment by the Company pursuant to this Policy. For Incentive-Based Compensation based on stock price or total shareholder return, where the amount of erroneously awarded compensation is not subject to mathematical recalculation directly from the information in an accounting restatement, the Committee will determine the amount based on a reasonable estimate of the effect of the accounting restatement on the relevant stock price or total shareholder return. In all cases, the calculation of the excess amount of Incentive-Based Compensation to be recovered will be determined without regard to any taxes paid with respect to such compensation. The Company will maintain and will provide documentation to Nasdaq of all determinations and actions taken in complying with this Policy to the extent required. Any determinations made by the Committee under this Policy shall be final and binding on all affected individuals.

The Company may effect any recovery pursuant to this Policy by requiring payment of such amount(s) to the Company, by set-off, by reducing future compensation, or by such other means or combination of means as the Committee determines to be appropriate. The Company need not recover the excess amount of Incentive-Based Compensation if and to the extent that the Committee determines that such recovery is impracticable, subject to and in accordance with any applicable exceptions under the Nasdaq listing rules, and not required under Rule 10D-1, including if the Committee determines that the direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered after making a reasonable attempt to recover such amounts. The Company is authorized to take appropriate steps to implement this Policy with respect to Incentive-Based Compensation arrangements with Covered Executives.

Any right of recoupment or recovery pursuant to this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any other policy, any employment agreement or plan or award terms, and any other legal remedies available to the Company, provided that the Company shall not recoup amounts pursuant to such other policy, terms or remedies to the extent it is recovered pursuant to this Policy. The Company shall not indemnify any Covered Executive against the loss of any Incentive-Based Compensation pursuant to this Policy.