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

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**FORM 10-Q**

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

For the quarterly period ended **June 30, 2018**.

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

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

Commission file number: **001-35347**

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**Clovis Oncology, Inc.**  
(Exact name of Registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**5500 Flatiron Parkway, Suite 100**  
**Boulder, Colorado**  
(Address of principal executive offices)

**90-0475355**  
(I.R.S. Employer  
Identification No.)

**80301**  
(Zip Code)

**(303) 625-5000**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former name, former address and former fiscal year, if changed since last report)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Emerging growth company

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

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

The number of outstanding shares of the registrant's common stock, par value \$0.001 per share, as of July 27, 2018 was 52,649,591.

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**CLOVIS ONCOLOGY, INC.**

**FORM 10-Q**

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**PART I. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**CLOVIS ONCOLOGY, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
**(Unaudited)**  
**(In thousands, except per share amounts)**

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>(in thousands, except per share amounts)</u>		<u>(in thousands, except per share amounts)</u>	
Revenues:				
Product revenue	\$ 23,757	\$ 14,620	\$ 42,279	\$ 21,665
Operating expenses:				
Cost of sales - product	4,490	2,730	8,495	3,893
Cost of sales - intangible asset amortization	709	372	1,080	743
Research and development	52,707	33,108	96,250	65,555
Selling, general and administrative	44,864	36,149	84,138	65,373
Total expenses	<u>102,770</u>	<u>72,359</u>	<u>189,963</u>	<u>135,564</u>
Operating loss	(79,013)	(57,739)	(147,684)	(113,899)
Other income (expense):				
Interest expense	(3,581)	(2,598)	(6,216)	(5,178)
Foreign currency (loss) gain	(104)	76	(185)	(83)
Legal settlement loss	—	(117,000)	(7,975)	(117,000)
SEC settlement costs reserve	(20,000)	—	(20,000)	—
Other income	1,475	594	2,883	946
Other expense, net	<u>(22,210)</u>	<u>(118,928)</u>	<u>(31,493)</u>	<u>(121,315)</u>
Loss before income taxes	(101,223)	(176,667)	(179,177)	(235,214)
Income tax benefit	33	1,281	292	1,365
Net loss	<u>\$ (101,190)</u>	<u>\$ (175,386)</u>	<u>\$ (178,885)</u>	<u>\$ (233,849)</u>
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of tax	(3,470)	2,812	(1,953)	3,279
Net unrealized gain (loss) on available-for-sale securities, net of tax	86	—	81	(5)
Other comprehensive (loss) income:	<u>(3,384)</u>	<u>2,812</u>	<u>(1,872)</u>	<u>3,274</u>
Comprehensive loss	<u>\$ (104,574)</u>	<u>\$ (172,574)</u>	<u>\$ (180,757)</u>	<u>\$ (230,575)</u>
Loss per basic and diluted common share:				
Basic and diluted net loss per common share	<u>\$ (1.94)</u>	<u>\$ (3.88)</u>	<u>\$ (3.48)</u>	<u>\$ (5.24)</u>
Basic and diluted weighted average common shares outstanding	<u>52,223</u>	<u>45,176</u>	<u>51,425</u>	<u>44,610</u>

See accompanying Notes to Unaudited Consolidated Financial Statements.

**CLOVIS ONCOLOGY, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**  
**(In thousands, except for share amounts)**

	<u>June 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 468,321	\$ 464,198
Accounts receivable, net	12,304	6,181
Inventories	62,989	27,508
Available-for-sale securities	213,921	99,533
Prepaid research and development expenses	2,723	1,559
Deposit on inventory	—	20,461
Other current assets	8,360	7,500
Total current assets	<u>768,618</u>	<u>626,940</u>
Deposit on inventory	53,937	—
Property and equipment, net	5,696	4,007
Intangible assets, net	53,480	19,561
Goodwill	63,475	65,217
Other assets	22,526	19,505
Total assets	<u>\$ 967,732</u>	<u>\$ 735,230</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 15,900	\$ 15,147
Accrued research and development expenses	19,788	18,465
Milestone liability	—	22,022
Accrued SEC settlement liability	20,000	—
Other accrued expenses	20,928	25,883
Total current liabilities	<u>76,616</u>	<u>81,517</u>
Convertible senior notes	574,335	282,406
Deferred rent, long-term	4,431	3,671
Total liabilities	<u>655,382</u>	<u>367,594</u>
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock, par value \$0.001 per share; 10,000,000 shares authorized, no shares issued and outstanding at June 30, 2018 and December 31, 2017	—	—
Common stock, \$0.001 par value per share, 100,000,000 shares authorized at June 30, 2018 and December 31, 2017; 52,637,375 and 50,565,119 shares issued and outstanding at June 30, 2018 and December 31, 2017 respectively	53	51
Additional paid-in capital	2,010,311	1,887,198
Accumulated other comprehensive loss	(44,045)	(42,173)
Accumulated deficit	<u>(1,653,969)</u>	<u>(1,477,440)</u>
Total stockholders' equity	<u>312,350</u>	<u>367,636</u>
Total liabilities and stockholders' equity	<u>\$ 967,732</u>	<u>\$ 735,230</u>

See accompanying Notes to Unaudited Consolidated Financial Statements.

**CLOVIS ONCOLOGY, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**  
**(In thousands)**

	<b>Six months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Operating activities</b>		
Net loss	\$ (178,885)	\$ (233,849)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation expense	26,768	19,563
Depreciation and amortization	1,507	1,281
Amortization of premiums and discounts on available-for-sale securities	693	245
Amortization of debt issuance costs	895	635
Legal settlement loss	—	117,000
Deferred income taxes	—	(1,266)
Changes in operating assets and liabilities:		
Accounts receivable	(2,786)	(1,023)
Inventory	(35,543)	(6,478)
Prepaid and accrued research and development expenses	102	(15,162)
Deposit on inventory	(33,476)	—
Other operating assets	(3,881)	(36,855)
Accounts payable	860	3,202
Other accrued expenses	12,902	3,166
Net cash used in operating activities	(210,844)	(149,541)
<b>Investing activities</b>		
Purchases of property and equipment	(2,208)	(249)
Deposits for purchases of property and equipment	—	(2,515)
Purchases of available-for-sale securities	(125,000)	(180,000)
Sales of available-for-sale securities	10,000	50,000
Acquired in-process research and development - milestone payment	(55,000)	(1,100)
Net cash used in investing activities	(172,208)	(133,864)
<b>Financing activities</b>		
Proceeds from the sale of common stock, net of issuance costs	93,754	546,170
Proceeds from the issuance of convertible senior notes, net of issuance costs	291,035	—
Proceeds from the exercise of stock options and employee stock purchases	2,593	12,270
Net cash provided by financing activities	387,382	558,440
Effect of exchange rate changes on cash and cash equivalents	(207)	565
Increase (decrease) in cash and cash equivalents	4,123	275,600
Cash and cash equivalents at beginning of period	464,198	216,186
Cash and cash equivalents at end of period	<u>\$ 468,321</u>	<u>\$ 491,786</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 3,594	\$ 3,594
Non-cash investing and financing activities:		
Vesting of restricted stock units	\$ 8,357	\$ 2,627

See accompanying Notes to Unaudited Consolidated Financial Statements.

**CLOVIS ONCOLOGY, INC.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Nature of Business and Basis of Presentation**

Clovis Oncology, Inc. (together with its consolidated subsidiaries, the “Company”, “Clovis”, “we”, “our”, “us”) is a biopharmaceutical company focused on acquiring, developing and commercializing innovative anti-cancer agents in the United States, Europe and additional international markets. We target our development programs for the treatment of specific subsets of cancer populations, and simultaneously develop, with partners, diagnostic tools intended to direct a compound in development to the population that is most likely to benefit from its use. We have and intend to continue to license or acquire rights to oncology compounds in all stages of clinical development. In exchange for the right to develop and commercialize these compounds, we generally expect to provide the licensor with a combination of upfront payments, milestone payments and royalties on future sales. In addition, we generally expect to assume the responsibility for future drug development and commercialization costs. We currently operate in one segment. Since inception, our operations have consisted primarily of developing in-licensed compounds, evaluating new product acquisition candidates and general corporate activities and since 2016 we have also marketed and sold products.

Our marketed product Rubraca® (rucaparib) is approved in the United States by the Food and Drug Administration (“FDA”) for two indications, encompassing two settings for the treatment of recurrent epithelial ovarian, fallopian tube or primary peritoneal cancer. The initial treatment indication received in December 2016 covers the treatment of adult patients with deleterious BRCA (human genes associated with the repair of damaged DNA) mutation (germline and/or somatic) epithelial ovarian, fallopian tube, or primary peritoneal cancer who have been treated with two or more chemotherapies, and selected for therapy based on an FDA-approved companion diagnostic for Rubraca. In April 2018, the FDA also approved Rubraca for the maintenance treatment of adult patients with recurrent epithelial ovarian, fallopian tube, or primary peritoneal cancer who are in a complete or partial response to platinum-based chemotherapy. The FDA granted regular approval for Rubraca in this second, broader and earlier-line indication on a priority review timeline based on positive data from the phase 3 ARIEL3 clinical trial. Diagnostic testing is not required for patients to be prescribed Rubraca in this maintenance treatment indication.

In May 2018, the European Commission granted a conditional marketing authorization for Rubraca as monotherapy treatment of adult patients with platinum sensitive, relapsed or progressive, BRCA mutated (germline and/or somatic), high-grade epithelial ovarian, fallopian tube, or primary peritoneal cancer, who have been treated with two or more prior lines of platinum based chemotherapy, and who are unable to tolerate further platinum based chemotherapy. As this is a conditional approval, it will be necessary to complete confirmatory post marketing commitments, including ensuring that sufficient partially platinum sensitive patients are enrolled in our ARIEL4 confirmatory trial to support the indication. This may require enrollment of additional patients into the study, increasing its overall size and extending the time for enrollment. In June 2018, we submitted to the European Union’s European Medicines Agency (“EMA”) a variation to the marketing authorization for the maintenance treatment of adult patients with recurrent epithelial ovarian, fallopian tube, or primary peritoneal cancer who are in a complete or partial response to platinum-based chemotherapy, for which we received EMA validation for this application in July 2018. We anticipate an opinion on this application from the Committee for Medicinal Products for Human Use (“CHMP”) of the EMA by the end of 2018.

Beyond our initial labeled indication, we have a robust Rubraca clinical development program underway in a variety of solid tumor types, also including prostate and bladder cancers, and in July 2017, we entered into a broad clinical collaboration with Bristol-Myers Squibb Company to evaluate the combination of their immunotherapy OPDIVO® (nivolumab) with Rubraca in several tumor types. We hold worldwide rights for Rubraca.

In addition to Rubraca, we have two other product candidates.

Lucitanib is an oral, potent inhibitor of the tyrosine kinase activity of vascular endothelial growth factor receptors 1 through 3 (VEGFR1-3), platelet-derived growth factor receptors alpha and beta (PDGFR  $\alpha/\beta$ ) and fibroblast growth factor receptors 1 through 3 (FGFR1-3). Lucitanib was originally developed by Clovis and Servier with the hypothesis of activity in FGFR driven tumors; however, data in breast and lung cancer were insufficient to move the program forward. We have received notice from Servier of termination of their rights to lucitanib, resulting in the return of global rights (excluding China) for lucitanib to us later in 2018. We believe that recent data for a drug similar to lucitanib that

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inhibits these same pathways – when combined with a PD-1 inhibitor – provide support for development of lucitanib in combination with a PD-(L)1 inhibitor, and we intend to initiate a study of the combination. We also intend to initiate a study of lucitanib in combination with Rubraca, based on encouraging data of VEGF and PARP inhibitors in combination. Each of these studies is expected to initiate in the first quarter of 2019. We maintain certain development and commercialization rights for lucitanib. Following the termination of the Servier license agreement, we will have global development and commercialization rights (except for China) for lucitanib.

Rociletinib is an oral mutant-selective inhibitor of epidermal growth factor receptor (“EGFR”). While we have stopped enrollment in ongoing trials for rociletinib, we continue to provide drug to patients whose clinicians recommend continuing therapy. We have global development and commercialization rights for rociletinib.

### ***Basis of Presentation***

All financial information presented includes the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The unaudited financial statements of Clovis Oncology, Inc. included herein reflect all adjustments that, in the opinion of management, are necessary to fairly state our financial position, results of operations and cash flows for the periods presented herein. Interim results may not be indicative of the results that may be expected for the full year. Certain information and footnote disclosures normally included in audited financial statements prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto which are included in our Annual Report on Form 10-K for the year ended December 31, 2017 (“2017 Form 10-K”) for a broader discussion of our business and the opportunities and risks inherent in such business.

### ***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, expenses and revenue and related disclosures. On an ongoing basis, we evaluate our estimates, including estimates related to revenue deductions, intangible asset impairment, clinical trial accruals and share-based compensation expense. We base our estimates on historical experience and other market-specific or other relevant assumptions that we believe to be reasonable under the circumstances. Actual results may differ from those estimates or assumptions.

### ***Liquidity***

We have incurred significant net losses since inception and have relied on our ability to fund our operations through debt and equity financings. We expect operating losses and negative cash flows to continue for the foreseeable future. As we continue to incur losses, transition to profitability is dependent upon achieving a level of revenues from Rubraca adequate to support our cost structure. We may never achieve profitability, and unless or until we do, we will continue to need to raise additional cash.

In April 2018, we sold 1,837,898 shares of our common stock in a public offering at \$54.41 per share. The net proceeds from the offering were \$93.8 million, after deducting underwriting discounts and commissions and offering expenses. Concurrently, we completed the public offering of \$300.0 million aggregate principal amount of 1.25% convertible senior notes due 2025. The net proceeds from this offering were \$291.0 million, after deducting underwriting discounts and commissions and offering expenses. We intend to use the net proceeds of the offerings for general corporate purposes, including sales and marketing expenses associated with Rubraca in the United States and Europe, funding of our development programs, general and administrative expenses, acquisition or licensing of additional product candidates or businesses and working capital. Based on current estimates, we believe that our existing cash, cash equivalents and available-for-sale securities will allow us to fund our operating plan through at least the next 12 months.

## 2. Summary of Significant Accounting Policies

### Recently Adopted Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09, “Revenue from Contracts with Customers”, and has subsequently issued several supplemental and/or clarifying ASUs (collectively, “ASC 606”). ASC 606 prescribes a single common revenue standard that replaces most existing U.S. GAAP revenue recognition guidance. ASC 606 is intended to provide a more consistent interpretation and application of the principles outlined in the standard across filers in multiple industries and within the same industries compared to current practices, which should improve comparability. Adoption of ASC 606 is required for annual and interim periods beginning after December 15, 2017. Upon adoption, we must elect to adopt either retrospectively to each prior reporting period presented or use the modified retrospective transition method with the cumulative effect of initial adoption recognized at the date of initial application. We adopted the new standard using the modified retrospective method on January 1, 2018 for contracts that are not completed as of the adoption date.

Under ASC 606, an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. ASC 606 also impacts certain other areas, such as the accounting for costs to obtain or fulfill a contract. The standard also requires disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

We examined our revenue recognition policy specific to revenue streams from contracts governing product sales from Rubraca and have come to conclusions on the impact of the new standard using the 5-step process prescribed by ASC 606. We reviewed all of our contracts, including our collaboration agreements with Servier and Bristol-Myers Squibb, and determined the potential impact to our accounting policies, financial controls and operations. Our conclusions include recognizing revenue on product sales once the product is sold to the specialty distributor and specialty pharmacy providers.

As noted above, we used the modified retrospective method to adopt the new standard. This means that we did not restate previously issued financial statements, but we recorded a one-time adjustment to retained earnings of \$2.4 million. This adjustment represents the sales of our product to our customers prior to January 1, 2018, that had not been sold to patients or healthcare providers, offset by related gross-to-net adjustments and other direct costs, including royalties and sales incentive compensation.

The cumulative effect of the changes made to our consolidated January 1, 2018 balance sheet for the adoption of ASC 606 was as follows (in thousands):

	Balance at December 31, 2017	Adjustments due to Adoption of ASC 606	Balance at January 1, 2018
<b>ASSETS</b>			
Accounts receivable, net	\$ 6,181	\$ 3,336	\$ 9,517
Inventories	\$ 27,508	(62)	\$ 27,446
Total assets	\$ 735,230	\$ 3,274	\$ 738,504
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Other accrued expenses	\$ 25,883	\$ 918	\$ 26,801
Accumulated deficit	\$ (1,477,440)	2,356	\$ (1,475,084)
Total liabilities and stockholders' equity	\$ 735,230	\$ 3,274	\$ 738,504

Previously, we recognized revenue on product sales once the product was sold to the patient or healthcare provider by the specialty distributor or specialty pharmacy provider, i.e. when product is sold through the channel. Effective January 1, 2018, we began recognizing revenue when our customers, the specialty distributors and specialty pharmacy providers, take control of our product or when product is sold into the channel. This will have the impact of us recognizing revenue approximately two to four weeks earlier than before adopting the new standard and will also

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increase the significance of estimating variable consideration. The following financial statement line items for the three and six months ended June 30, 2018 were affected as a result of the adoption.

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(In thousands, except for per share amounts)

	Three months ended June 30, 2018		
	As reported	Balances without Adoption of ASC 606	Effect of Change Higher/(Lower)
	Product revenue	\$ 23,757	\$ 20,372
Cost of sales - product	\$ 4,490	\$ 3,998	\$ 492
Selling, general and administrative	\$ 44,864	\$ 44,679	\$ 185
Net loss	\$ (101,190)	\$ (103,898)	\$ (2,708)
Loss per basic and diluted common share:			
Basic and diluted net loss per common share	\$ (1.94)	\$ (1.99)	\$ (0.05)

	Six months ended June 30, 2018		
	As reported	Balances without Adoption of ASC 606	Effect of Change Higher/(Lower)
	Product revenue	\$ 42,279	\$ 38,328
Cost of sales - product	\$ 8,495	\$ 7,539	\$ 956
Selling, general and administrative	\$ 84,138	\$ 83,913	\$ 225
Net loss	\$ (178,885)	\$ (181,654)	\$ (2,769)
Loss per basic and diluted common share:			
Basic and diluted net loss per common share	\$ (3.48)	\$ (3.53)	\$ (0.05)

**CONSOLIDATED BALANCE SHEET**  
(In thousands)

	June 30, 2018		
	As reported	Balances without Adoption of ASC 606	Effect of Change Higher/(Lower)
	<b>ASSETS</b>		
Accounts receivable, net	\$ 12,304	\$ 8,644	\$ 3,660
Inventories	\$ 62,989	\$ 62,887	\$ 102
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Other accrued expenses	\$ 20,928	\$ 19,880	\$ 1,048
Accumulated deficit	\$ (1,653,969)	\$ (1,656,677)	\$ (2,708)

ASC 606 did not have an aggregate impact on our net cash provided by operating activities but resulted in offsetting changes in certain assets and liabilities presented within net cash used in operating activities in our consolidated statement of cash flows, as reflected in the above tables.

**Recently Issued Accounting Standards**

From time to time, the FASB or other standards setting bodies issue new accounting pronouncements. Updates to the FASB Accounting Standards Codification ("ASC") are communicated through issuance of an ASU.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)", which requires lessees to recognize assets and liabilities for the rights and obligations created by most leases on their balance sheet. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early

adoption is permitted. ASU 2016-02 requires modified retrospective adoption for all leases existing at, or entered after, the date of initial application, with an option to use certain transition relief. We are currently evaluating the impact the standard may have on our consolidated financial statements and related disclosures.

In February 2018, the FASB issued ASU 2018-02, "Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income", which allow a reclassification from accumulated other comprehensive income (loss) ("AOCI") to retained earnings for stranded tax effects resulting from the change in the U.S. federal corporate income tax rate on the gross deferred tax amounts at the date of enactment of the Tax Cuts and Jobs Act of 2017 (the "2017 Tax Act"). The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact the standard may have on our consolidated financial statements and related disclosures.

### ***Revenue Recognition***

We are currently approved to sell Rubraca in the United States market. We distribute our product principally through a limited number of specialty distributor and specialty pharmacy providers, collectively, our customers. Our customers subsequently sell our products to patients and health care providers. Separately, we have arrangements with certain payors and other third parties that provide for government-mandated and privately-negotiated rebates, chargebacks and discounts.

#### *Product Revenue*

Revenue from product sales are recognized when the performance obligation is satisfied, which is when customers obtain control of our product at a point in time, typically upon delivery. We expense incremental costs of obtaining a contract as and when incurred if the expected amortization period of the asset that we would have recognized is one year or less.

#### *Reserves for Variable Consideration*

Revenues from product sales are recorded at the net sales price (transaction price), which includes estimates of variable consideration for which reserves are established and which result from rebates, chargebacks, discounts, co-pay assistance, estimated product returns and other allowances that are offered within contracts between us and our customers, health care providers, payors and other indirect customers relating to the sales of our product. These reserves are based on the amounts earned or to be claimed on the related sales and are classified as reductions of accounts receivable (if the amount is payable to the customers) or a current liability (if the amount is payable to a party other than a customer). Where appropriate, these estimates take into consideration a range of possible outcomes which are probability-weighted for relevant factors such as our historical experience, current contractual and statutory requirements, specific known market events and trends, industry data and forecasted customer buying and payment patterns. Overall, these reserves reflect our best estimates of the amount of consideration to which we are entitled based on the terms of the contract. The amount of variable consideration which is included in the transaction price may be constrained and is included in the net sales price only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. Actual amounts of consideration ultimately received may differ from our estimates. If actual results in the future vary from our estimates, we adjust these estimates, which would affect product revenue and earnings in the period such variances become known.

*Rebates.* Rebates include mandated discounts under the Medicaid Drug Rebate Program and the Medicare coverage gap program. Rebates are amounts owed after the final dispensing of products to a benefit plan participant and are based upon contractual agreements or legal requirements with the public-sector benefit providers. These reserves are recorded in the same period the related revenue is recognized, resulting in a reduction of product revenue and the establishment of a current liability which is included in accrued expenses on the consolidated balance sheet. We estimate our Medicaid and Medicare rebates based upon a range of possible outcomes that are probability-weighted for the estimated payor mix. The accrual for rebates is based on statutory discount rates and known sales to specialty pharmacy patients or expected utilization for specialty distributor sales to healthcare providers. As we gain more historical experience, the accrual will be based solely on the expected utilization from historical data we have accumulated since the Rubraca product launch. Rebates are generally invoiced and paid quarterly in arrears so that the accrual balance

consists of an estimate of the amount expected to be incurred for the current quarter's activity, plus an accrual balance for known or estimated prior quarters' unpaid rebates.

*Chargebacks.* Chargebacks are discounts that occur when contracted customers, which currently consist primarily of group purchasing organizations, Public Health Service organizations and federal government entities purchasing via the Federal Supply Schedule, purchase directly from our specialty distributors at a discounted price. The specialty distributor, in turn, charges back the difference between the price initially paid by the specialty distributor and the discounted price paid to the specialty distributor by the healthcare provider. These reserves are established in the same period that the related revenue is recognized, resulting in a reduction of product revenue and accounts receivable. The accrual for specialty distributor chargebacks is estimated based on known chargeback rates and known sales to specialty distributors adjusted for the estimated utilization by healthcare providers.

*Discounts and Fees.* Our payment terms are generally 30 days. Specialty distributors and specialty pharmacies are offered various forms of consideration, including service fees and prompt pay discounts for payment within a specified period. We expect these customers will earn prompt pay discounts and therefore, we deduct the full amount of these discounts and service fees from product sales when revenue is recognized.

*Co-pay assistance.* Patients who have commercial insurance and meet certain eligibility requirements may receive co-pay assistance. The intent of this program is to reduce the patient's out of pocket costs. Liabilities for co-pay assistance are based on actual program participation provided by third-party administrators at month end.

*Returns.* Consistent with industry practice, we generally offer customers a right of return limited only to product that will expire in six months or product that is six months beyond the expiration date. To date, we have had minimal product returns and we currently do not have an accrual for product returns. We will continue to assess our estimate for product returns as we gain additional historical experience.

#### ***Cost of Sales – Product***

Product cost of sales consists primarily of materials, third-party manufacturing costs as well as freight and royalties owed to our licensing partners for Rubraca sales.

#### ***Cost of Sales – Intangible Asset Amortization***

Cost of sales for intangible asset amortization consists of the amortization of capitalized milestone payments made to our licensing partners upon FDA approval of Rubraca. Milestone payments are amortized on a straight-line basis over the estimated remaining patent life of Rubraca.

#### ***Inventory***

Inventories are stated at the lower of cost or estimated net realizable value, on a first-in, first-out ("FIFO") basis. We began capitalizing incurred inventory related costs upon the regulatory approval of Rubraca. Prior to the regulatory approval of Rubraca, we incurred costs for the manufacture of the drug that could potentially be available to support the commercial launch of Rubraca and all such costs were recognized as research and development expense. We periodically analyze our inventory levels, and write down inventory that has become obsolete, inventory that has a cost basis in excess of its estimated realizable value and/or inventory in excess of expected sales requirements as cost of product revenues. Expired inventory would be disposed of and the related costs would be written off as cost of product revenues.

The active pharmaceutical ingredient ("API") in Rubraca is currently produced by a single supplier. As the API has undergone significant manufacturing specific to its intended purpose at the point it is purchased by us, we classify the API as work-in-process inventory. Inventory used in clinical trials is expensed as research and development expense when it has been identified for such use.

Our other significant accounting policies are described in Note 2, *Summary of Significant Accounting Policies* of the Notes to the Consolidated Financial Statements included in our 2017 Form 10-K.

### 3. Financial Instruments and Fair Value Measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (at exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The three levels of inputs that may be used to measure fair value include:

- Level 1: Quoted prices in active markets for identical assets or liabilities. Our Level 1 assets consist of money market investments. We do not have Level 1 liabilities.
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Our Level 2 assets consist of U.S. treasury securities. We do not have Level 2 liabilities.
- Level 3: Unobservable inputs that are supported by little or no market activity. We do not have Level 3 assets or liabilities that are measured at fair value on a recurring basis.

The following table identifies our assets and liabilities that were measured at fair value on a recurring basis (in thousands):

	Balance	Level 1	Level 2	Level 3
<b>June 30, 2018</b>				
Assets:				
Money market	\$ 422,029	\$ 422,029	\$ —	\$ —
U.S. treasury securities	213,921	—	213,921	—
Total assets at fair value	<u>\$ 635,950</u>	<u>\$ 422,029</u>	<u>\$ 213,921</u>	<u>\$ —</u>
<b>December 31, 2017</b>				
Assets:				
Money market	\$ 433,136	\$ 433,136	\$ —	\$ —
U.S. treasury securities	99,533	—	99,533	—
Total assets at fair value	<u>\$ 532,669</u>	<u>\$ 433,136</u>	<u>\$ 99,533</u>	<u>\$ —</u>

There were no transfers between the Level 1 and Level 2 categories or into or out of the Level 3 category during the three and six months ended June 30, 2018.

Financial instruments not recorded at fair value include our convertible senior notes. At June 30 2018, the carrying amount of the 2021 Notes was \$283.0 million, which represents the aggregate principal amount net of remaining debt issuance costs, and the fair value was \$310.2 million. At June 30 2018, the carrying amount of the 2025 Notes was \$291.0 million, which represents the aggregate principal amount net of remaining debt issuance costs, and the fair value was \$276.0 million. The fair value was determined using Level 2 inputs based on the indicative pricing published by certain investment banks or trading levels of these notes, which are not listed on any securities exchange or quoted on an inter-dealer automated quotation system. See Note 9, *Convertible Senior Notes* for discussion of the convertible senior notes.

### 4. Available-for-Sale Securities

As of June 30, 2018, available-for-sale securities consisted of the following (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Aggregate Fair Value
U.S. treasury securities	\$ 213,957	\$ —	\$ (36)	\$ 213,921

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As of December 31, 2017, available-for-sale securities consisted of the following (in thousands):

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Aggregate Fair Value</u>
U.S. treasury securities	\$ 99,650	\$ —	\$ (117)	\$ 99,533

As of June 30, 2018, our available-for-sale securities have been in a continuous loss position for less than 12 months. We have concluded that decline in the market value of the available-for-sale securities is temporary. A decline in the market value of a security below its cost that is deemed to be other than temporary is charged to earnings and results in the establishment of a new cost basis for the security. Factors evaluated to determine if an investment is other-than-temporarily impaired include significant deterioration in earnings performance, credit rating, asset quality or business prospects of the issuer; adverse changes in the general market conditions in which the issuer operates; and our intent and ability to hold the security until an anticipated recovery in value occurs.

As of June 30, 2018, the amortized cost and fair value of available-for-sale securities by contractual maturity were (in thousands):

	<u>Amortized Cost</u>	<u>Fair Value</u>
Due in one year or less	\$ 213,957	\$ 213,921
Due in one year to two years	—	—
Total	<u>\$ 213,957</u>	<u>\$ 213,921</u>

## 5. Inventories

The following table presents inventories as of June 30, 2018 and December 31, 2017:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Work-in-process	\$ 57,453	\$ 24,721
Finished goods	5,536	2,787
Total inventories	<u>\$ 62,989</u>	<u>\$ 27,508</u>

Some of the costs related to our finished goods on-hand as of June 30, 2018 were expensed as incurred prior to the commercialization of Rubraca on December 19, 2016.

At June 30, 2018, deposit on inventory on the Consolidated Balance Sheets is a cash deposit of \$53.9 million made to a manufacturer for the purchase of work-in-process inventory which we expect to be converted to finished goods beyond the next twelve months.

## 6. Other Current Assets

Other current assets were comprised of the following (in thousands):

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Prepaid insurance	\$ 1,403	\$ 1,926
Prepaid expenses - other	4,768	3,355
Receivable - other	1,918	2,023
Other	271	196
Total	<u>\$ 8,360</u>	<u>\$ 7,500</u>

## 7. Intangible Assets and Goodwill

Intangible assets related to capitalized milestones under license agreements consisted of the following (in thousands):

	<u>June 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Intangible asset - milestones	\$ 56,100	\$ 21,100
Accumulated amortization	(2,620)	(1,539)
Total intangible asset, net	<u>\$ 53,480</u>	<u>\$ 19,561</u>

The increase in our intangible asset – milestones since December 31, 2017 is due to a \$15.0 million milestone payment to Pfizer related to the April 6, 2018 FDA approval of our sNDA for Rubraca as maintenance treatment and a \$20.0 million milestone payment to Pfizer related to the European Commission approval of Rubraca in May 2018. See Note 12, *License Agreements* for further discussion of these approvals.

The estimated useful lives of these intangible assets are based on the estimated remaining patent life of Rubraca and extend through 2035.

We recorded amortization expense of \$0.7 million and \$1.1 million related to capitalized milestone payments during the three and six months ended June 30, 2018, respectively. We recorded amortization expense of \$0.4 million and \$0.8 million related to capitalized milestone payments during the three and six months ended June 30, 2017, respectively. Amortization expense is included in cost of sales – intangible asset amortization on the Consolidated Statements of Operations and Comprehensive Loss.

Estimated future amortization expense associated with intangibles is expected to be as follows (in thousands):

2018	\$ 1,603
2019	3,209
2020	3,209
2021	3,209
2022	3,209
Thereafter	39,041
	<u>\$ 53,480</u>

The change in goodwill established as part of the purchase accounting of EOS in November 2013 consisted of the following (in thousands):

Balance at December 31, 2017	\$ 65,217
Change in foreign currency gains and losses	(1,742)
Balance at June 30, 2018	<u>\$ 63,475</u>

## 8. Other Accrued Expenses

Other accrued expenses were comprised of the following (in thousands):

	June 30, 2018	December 31, 2017
Accrued personnel costs	\$ 9,552	\$ 13,889
Accrued interest payable	2,846	2,096
Income tax payable	100	—
Accrued corporate legal fees and professional services	219	415
Accrued royalties	4,163	2,984
Accrued variable considerations	1,788	1,008
Payable to third party logistics provider	14	2,661
Accrued expenses - other	2,246	2,830
Total	<u>\$ 20,928</u>	<u>\$ 25,883</u>

## 9. Convertible Senior Notes

### 2021 Notes

On September 9, 2014, we completed a private placement of \$287.5 million aggregate principal amount of 2.5% convertible senior notes due 2021 (the “2021 Notes”) resulting in net proceeds of \$278.3 million after deducting offering expenses. In accordance with the accounting guidance, the conversion feature did not meet the criteria for bifurcation, and the entire principal amount was recorded as a long-term liability on the Consolidated Balance Sheets.

The 2021 Notes are governed by the terms of the indenture between the Company, as issuer, and The Bank of New York Mellon Trust Company, N.A., as trustee. The 2021 Notes are senior unsecured obligations and bear interest at a rate of 2.5% per year, payable semi-annually in arrears on March 15 and September 15 of each year. The 2021 Notes will mature on September 15, 2021, unless earlier converted, redeemed or repurchased.

Holder may convert all or any portion of the 2021 Notes at any time prior to the close of business on the business day immediately preceding the maturity date. Upon conversion, the holders will receive shares of our common stock at an initial conversion rate of 16.1616 shares per \$1,000 in principal amount of 2021 Notes, equivalent to a conversion price of approximately \$61.88 per share. The conversion rate is subject to adjustment upon the occurrence of certain events described in the indenture. In addition, following certain corporate events that occur prior to the maturity date or upon our issuance of a notice of redemption, we will increase the conversion rate for holders who elect to convert the 2021 Notes in connection with such a corporate event or during the related redemption period in certain circumstances.

On or after September 15, 2018, we may redeem the 2021 Notes, at our option, in whole or in part, if the last reported sale price of our common stock has been at least 150% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending not more than two trading days preceding the date on which we provide written notice of redemption at a redemption price equal to 100% of the principal amount of the 2021 Notes to be redeemed plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the 2021 Notes.

If we undergo a fundamental change, as defined in the indenture, prior to the maturity date of the 2021 Notes, holders may require us to repurchase for cash all or any portion of the 2021 Notes at a fundamental change repurchase price equal to 100% of the principal amount of the 2021 Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The 2021 Notes rank senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the 2021 Notes; equal in right of payment to all of our liabilities that are not so subordinated; effectively junior in right of payment to any secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities (including trade payables) of our subsidiaries.

In connection with the issuance of the 2021 Notes, we incurred \$9.2 million of debt issuance costs. The debt issuance costs are presented as a deduction from the convertible senior notes on the Consolidated Balance Sheets and are

amortized as interest expense over the expected life of the 2021 Notes using the effective interest method. We determined the expected life of the debt was equal to the seven-year term of the 2021 Notes.

### **2025 Notes**

On April 19, 2018, we completed an underwritten public offering of \$300.0 million aggregate principal amount of 1.25% convertible senior notes due 2025 (the “2025 Notes”) resulting in net proceeds of \$291.0 million, after deducting underwriting discounts and commissions and offering expenses. In accordance with the accounting guidance, the conversion feature did not meet the criteria for bifurcation, and the entire principal amount was recorded as a long-term liability on the Consolidated Balance Sheets.

The 2025 Notes are governed by the terms of the indenture between the Company, as issuer, and The Bank of New York Mellon Trust Company, N.A., as trustee, as supplemented by the terms of that certain first supplemental indenture thereto. The 2025 Notes are senior unsecured obligations and bear interest at a rate of 1.25% per year, payable semi-annually in arrears on May 1 and November 1 of each year. The 2025 Notes will mature on May 1, 2025, unless earlier converted, redeemed or repurchased.

Holder may convert all or any portion of the 2025 Notes at any time prior to the close of business on the business day immediately preceding the maturity date. Upon conversion, the holders will receive shares of our common stock at an initial conversion rate of 13.1278 shares per \$1,000 in principal amount of 2025 Notes, equivalent to a conversion price of approximately \$76.17 per share. The conversion rate is subject to adjustment upon the occurrence of certain events described in the indenture. In addition, following certain corporate events that occur prior to the maturity date or upon our issuance of a notice of redemption, we will increase the conversion rate for holders who elect to convert the 2025 Notes in connection with such a corporate event or during the related redemption period in certain circumstances.

On or after May 2, 2022, we may redeem the 2025 Notes, at our option, in whole or in part, if the last reported sale price of our common stock has been at least 150% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending not more than two trading days preceding the date on which we provide written notice of redemption at a redemption price equal to 100% of the principal amount of the 2025 Notes to be redeemed plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the 2025 Notes.

If we undergo a fundamental change, as defined in the indenture, prior to the maturity date of the 2025 Notes, holders may require us to repurchase for cash all or any portion of the 2025 Notes at a fundamental change repurchase price equal to 100% of the principal amount of the 2025 Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The 2025 Notes rank senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the 2025 Notes; equal in right of payment to all of our liabilities that are not so subordinated, including the 2021 Notes; effectively junior in right of payment to any secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities (including trade payables) of our subsidiaries.

In connection with the issuance of the 2025 Notes, we incurred \$9.0 million of debt issuance costs. The debt issuance costs are presented as a deduction from the convertible senior notes on the Consolidated Balance Sheets and are amortized as interest expense over the expected life of the 2025 Notes using the effective interest method. We determined the expected life of the debt was equal to the seven-year term of the 2025 Notes.

As of June 30, 2018 and December 31, 2017, the balance of unamortized debt issuance costs was \$13.2 million and \$5.1 million, respectively.

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The following table sets forth total interest expense recognized during the three and six months ended June 30, 2018 and 2017 (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Contractual interest expense	\$ 2,547	\$ 1,797	\$ 4,344	\$ 3,594
Accretion of interest on milestone liability	465	483	977	949
Amortization of debt issuance costs	569	318	895	635
Total interest expense	<u>\$ 3,581</u>	<u>\$ 2,598</u>	<u>\$ 6,216</u>	<u>\$ 5,178</u>

**10. Stockholders' Equity**

**Common Stock**

In April 2018, we sold 1,837,898 shares of our common stock in a public offering at \$54.41 per share. The net proceeds from the offering were \$93.8 million, after deducting underwriting discounts and commissions and offering expenses.

The holders of common stock are entitled to one vote per share on all matters to be voted upon by our stockholders. Subject to the preferences that may be applicable to any outstanding shares of preferred stock, the holders of common stock are entitled to receive ratably such dividends, if any, as may be declared by our Board of Directors.

**Accumulated Other Comprehensive Loss**

Accumulated other comprehensive loss consists of changes in foreign currency translation adjustments, which includes changes in a subsidiary's functional currency, and unrealized gains and losses on available-for-sale securities.

The changes in accumulated balances related to each component of other comprehensive income (loss) are summarized for the three months ended June 30, 2018 and 2017, as follows (in thousands):

	Foreign Currency Translation Adjustments		Unrealized (Losses) Gains		Total Accumulated Other Comprehensive Loss	
	2018	2017	2018	2017	2018	2017
Balance at April 1,	\$ (40,400)	\$ (46,967)	\$ (261)	\$ (151)	\$ (40,661)	\$ (47,118)
Other comprehensive income (loss)	(3,944)	4,451	88	(3)	(3,856)	4,448
Total before tax	(44,344)	(42,516)	(173)	(154)	(44,517)	(42,670)
Tax effect	474	(1,639)	(2)	3	472	(1,636)
Balance at June 30,	<u>\$ (43,870)</u>	<u>\$ (44,155)</u>	<u>\$ (175)</u>	<u>\$ (151)</u>	<u>\$ (44,045)</u>	<u>\$ (44,306)</u>

The changes in accumulated balances related to each component of other comprehensive income (loss) are summarized for the six months ended June 30, 2018 and 2017, as follows (in thousands):

	Foreign Currency Translation Adjustments		Unrealized (Losses) Gains		Total Accumulated Other Comprehensive Loss	
	2018	2017	2018	2017	2018	2017
Balance at January 1,	\$ (41,917)	\$ (47,434)	\$ (256)	\$ (146)	\$ (42,173)	\$ (47,580)
Other comprehensive income (loss)	(1,953)	5,186	81	(8)	(1,872)	5,178
Total before tax	(43,870)	(42,248)	(175)	(154)	(44,045)	(42,402)
Tax effect	—	(1,907)	—	3	—	(1,904)
Balance at June 30,	<u>\$ (43,870)</u>	<u>\$ (44,155)</u>	<u>\$ (175)</u>	<u>\$ (151)</u>	<u>\$ (44,045)</u>	<u>\$ (44,306)</u>

The period change in each of the periods was primarily due to the currency translation of the goodwill and deferred income taxes associated with the acquisition of EOS in November 2013. There were no reclassifications out of accumulated other comprehensive loss in each of the three and six months ended June 30, 2018 and 2017.

## 11. Share-Based Compensation

Share-based compensation expense for all equity based programs, including stock options, restricted stock units and the employee stock purchase plan, for the three and six months ended June 30, 2018 and 2017 was recognized in the accompanying Consolidated Statements of Operations as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Research and development	\$ 4,966	\$ 4,825	\$ 10,342	\$ 8,991
Selling, general and administrative	9,889	5,792	16,426	10,572
Total share-based compensation expense	\$ 14,855	\$ 10,617	\$ 26,768	\$ 19,563

We did not recognize a tax benefit related to share-based compensation expense during the three and six months ended June 30, 2018 and 2017, respectively, as we maintain net operating loss carryforwards and have established a valuation allowance against the entire net deferred tax asset as of June 30, 2018.

### Stock Options

The following table summarizes the activity relating to our options to purchase common stock for the six months ended June 30, 2018:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (Thousands)
Outstanding at December 31, 2017	5,789,735	\$ 46.77		
Granted	475,768	56.47		
Exercised	(47,091)	25.82		
Forfeited	(114,991)	62.86		
Outstanding at June 30, 2018	6,103,421	\$ 47.39	6.8	\$ 68,594
Vested and expected to vest at June 30, 2018	5,864,188	\$ 47.21	6.7	\$ 67,088
Vested and exercisable at June 30, 2018	4,129,536	\$ 45.35	5.9	\$ 54,282

The aggregate intrinsic value in the table above represents the pretax intrinsic value, based on our closing stock price of \$45.47 as of June 29, 2018, which would have been received by the option holders had all option holders with in-the-money options exercised their options as of that date.

The following table summarizes information about our stock options as of and for the three and six months ended June 30, 2018 and 2017 (in thousands, except per share amounts):

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Weighted-average grant date fair value per share	\$ 35.56	\$ 44.94	\$ 41.69	\$ 46.53
Intrinsic value of options exercised	\$ 610	\$ 4,759	\$ 1,372	\$ 14,284
Cash received from stock option exercises	\$ 702	\$ 5,439	\$ 1,216	\$ 11,113

As of June 30, 2018, the unrecognized share-based compensation expense related to unvested options, adjusted for expected forfeitures, was \$66.2 million and the estimated weighted-average remaining vesting period was 2.52 years.

**Restricted Stock**

The following table summarizes the activity relating to our unvested restricted stock units (“RSUs”) for the six months ended June 30, 2018:

	Number of Units	Weighted Average Grant Date Fair Value
Unvested at December 31, 2017	589,529	\$ 41.67
Granted	406,440	57.22
Vested	(151,599)	39.55
Forfeited	(33,365)	45.29
Unvested as of June 30, 2018	<u>811,005</u>	\$ 49.71
Expected to vest after June 30, 2018	<u>689,899</u>	\$ 49.36

As of June 30, 2018, the unrecognized share-based compensation expense related to unvested RSUs, adjusted for expected forfeitures, was \$31.5 million and the estimated weighted-average remaining vesting period was 3.17 years.

**12. License Agreements****Rucaparib**

In June 2011, we entered into a worldwide license agreement with Pfizer, Inc. to obtain exclusive global rights to develop and commercialize rucaparib, a small molecule inhibitor of poly (ADP-ribose) polymerase (“PARP”), used for the treatment of selected solid tumors. The exclusive rights are exclusive even as to Pfizer and include the right to grant sublicenses. Pursuant to the terms of the license agreement, we made a \$7.0 million upfront payment to Pfizer and are required to make additional payments to Pfizer for the achievement of certain development and regulatory and sales milestones and royalties on sales as required by the license agreement. Prior to the FDA approval of rucaparib, discussed below, we made milestone payments of \$1.4 million, which were recognized as acquired in-process research and development expense.

On August 30, 2016, we entered into a first amendment to the worldwide license agreement with Pfizer, which amends the June 2011 existing worldwide license agreement to permit us to defer payment of the milestone payments payable upon (i) FDA approval of an NDA for 1<sup>st</sup> Indication in US and (ii) EMA approval of an MAA for 1<sup>st</sup> Indication in EU, to a date that is 18 months after the date of achievement of such milestones.

On December 19, 2016, the FDA approved Rubraca (rucaparib) tablets as monotherapy for the treatment of patients with deleterious BRCA mutation (germline and/or somatic) associated advanced ovarian cancer who have been treated with two or more chemotherapies, and selected for therapy based on an FDA-approved companion diagnostic for Rubraca. The FDA approval resulted in a \$0.75 million milestone payment to Pfizer as required by the license agreement, which was made in the first quarter of 2017. The FDA approval also resulted in the obligation to pay a \$20.0 million milestone payment, for which we exercised the option to defer payment by agreeing to pay \$23.0 million within 18 months after the date of the FDA approval. We paid the \$23.0 million milestone payment in June 2018.

On April 6, 2018, the FDA approved our sNDA for Rubraca as maintenance treatment of adult patients with recurrent epithelial ovarian, fallopian tube, or primary peritoneal cancer who are in a complete or partial response to platinum-based chemotherapy. This approval resulted in the obligation to pay a \$15.0 million milestone payment, which we paid in April 2018.

In May 2018, the European Commission granted a conditional marketing authorization for Rubraca as monotherapy treatment of adult patients with platinum sensitive, relapsed or progressive, BRCA mutated (germline and/or somatic), high-grade epithelial ovarian, fallopian tube, or primary peritoneal cancer, who have been treated with two or more prior lines of platinum based chemotherapy, and who are unable to tolerate further platinum based chemotherapy. This approval resulted in the obligation to pay a \$20.0 million milestone payment, which we paid in June 2018.

These milestone payments were recognized as intangible assets and will be amortized over the estimated remaining useful life of Rubraca.

We are obligated under the license agreement to use commercially reasonable efforts to develop and commercialize rucaparib and we are responsible for all remaining development and commercialization costs for rucaparib. We are required to make regulatory milestone payments to Pfizer of up to an additional \$31.75 million in aggregate if specified clinical study objectives and regulatory filings, acceptances and approvals are achieved. In addition, we are obligated to make sales milestone payments to Pfizer if specified annual sales targets for rucaparib are met, which relate to annual sales targets of \$250.0 million and above, which, in the aggregate, could amount to total milestone payments of \$170.0 million, and tiered royalty payments at a mid-teen percentage rate on our net sales, with standard provisions for royalty offsets to the extent we need to obtain any rights from third parties to commercialize rucaparib.

In April 2012, we entered into a license agreement with AstraZeneca UK Limited to acquire exclusive rights associated with rucaparib under a family of patents and patent applications that claim methods of treating patients with PARP inhibitors in certain indications. The license enables the development and commercialization of rucaparib for the uses claimed by these patents. AstraZeneca receives royalties on any net sales of rucaparib.

### ***Lucitanib***

In connection with our acquisition of EOS in November 2013, we gained rights to develop and commercialize lucitanib, an oral, selective tyrosine kinase inhibitor. As further described below, EOS licensed the worldwide rights, excluding China, to develop and commercialize lucitanib from Advenchen Laboratories LLC (“Advenchen”). Subsequently, rights to develop and commercialize lucitanib in markets outside the U.S. and Japan were sublicensed by EOS to Servier in exchange for upfront milestone fees, royalties on sales of lucitanib in the sublicensed territories and research and development funding commitments.

In October 2008, EOS entered into an exclusive license agreement with Advenchen to develop and commercialize lucitanib on a global basis, excluding China. We are obligated to pay Advenchen tiered royalties at percentage rates in the mid-single digits on net sales of lucitanib, based on the volume of annual net sales achieved. In addition, after giving effect to the first and second amendments to the license agreement, we are required to pay to Advenchen 25% of any consideration, excluding royalties, received pursuant to any sublicense agreements for lucitanib, including the agreement with Servier. We are obligated under the agreement to use commercially reasonable efforts to develop and commercialize at least one product candidate containing lucitanib, and we are also responsible for all remaining development and commercialization costs for lucitanib.

The license agreement with Advenchen will remain in effect until the expiration of all our royalty obligations to Advenchen, determined on a product-by-product and country-by-country basis, unless we elect to terminate the agreement earlier. If we fail to meet our obligations under the agreement and are unable to cure such failure within specified time periods, Advenchen can terminate the agreement, resulting in a loss of our rights to lucitanib.

During 2017, we completed the committed on-going development activities related to lucitanib and received full reimbursement of our development costs from Servier. Reimbursements are recorded as a reduction to research and development expense on the Consolidated Statements of Operations. Lucitanib was originally developed by Clovis and Servier with the hypothesis of activity in FGFR driven tumors; however, data in breast and lung cancer were insufficient to move the program forward. We have received notice from Servier of termination of their rights to lucitanib, resulting in the return of global rights (excluding China) for lucitanib to us later in 2018.

We are party to a product license agreement for our other drug candidate rociletinib (see our 2017 Form 10-K for additional details).

### **13. Net Loss Per Common Share**

Basic net loss per share is calculated by dividing net loss by the weighted-average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing net loss by the weighted-average number of common share equivalents outstanding using the treasury-stock method for the stock options and RSUs and the if-converted method for the 2021 Notes and 2025 Notes. As a result of our net losses for the periods presented, all potentially dilutive common share equivalents were considered anti-dilutive and were excluded from the computation of diluted net loss per share.

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The shares outstanding at the end of the respective periods presented in the table below were excluded from the calculation of diluted net loss per share due to their anti-dilutive effect (in thousands):

	Three and Six months ended June 30,	
	2018	2017
Common shares under option	3,723	6,373
Convertible senior notes	8,584	4,646
Total potential dilutive shares	12,307	11,019

#### 14. Commitments and Contingencies

##### *Royalty and License Fee Commitments*

We have entered into certain license agreements, as identified in Note 12, *License Agreements*, with third parties that include the payment of development and regulatory milestones, as well as royalty payments, upon the achievement of pre-established development, regulatory and commercial targets. Our payment obligation related to these license agreements is contingent upon the successful development, regulatory approval and commercialization of the licensed products. Due to the nature of these arrangements, the future potential payments are inherently uncertain, and accordingly, we only recognize payment obligations which are probable and estimable as of the balance sheet date. Milestone liabilities of \$0.0 million and \$22.0 million are recorded on our Consolidated Balance Sheets at June 30, 2018 and December 31, 2017, respectively, and relate to milestone payments for the licensing of our rucaparib product, which was approved by the FDA on December 19, 2016.

##### *Manufacture and Services Agreement Commitments*

On October 3, 2016, we entered into a Manufacturing and Services Agreement (the "Agreement") with a non-exclusive third-party supplier for the production of the active ingredient for Rubraca. Under the terms of the Agreement, we will provide the third-party supplier a rolling forecast for the supply of the active ingredient in Rubraca that will be updated by us on a quarterly basis. We are obligated to order material sufficient to satisfy an initial quantity specified in any forecast. In addition, the third-party supplier will construct, in its existing facility, a production train that will be exclusively dedicated to the manufacture of the Rubraca active ingredient. We are obligated to make scheduled capital program fee payments toward capital equipment and other costs associated with the construction of the dedicated production train. Further, once the facility is operational, we are obligated to pay a fixed facility fee each quarter for the duration of the Agreement, which expires on December 31, 2025, unless extended by mutual consent of the parties. As of June 30, 2018, \$147.8 million of purchase commitments exist under the Agreement.

##### *Legal Proceedings*

We and certain of our officers were named as defendants in several lawsuits, as described below. We cannot reasonably predict the outcome of these legal proceedings, nor can we estimate the amount of loss or range of loss, if any, that may result. An adverse outcome in these proceedings could have a material adverse effect on our results of operations, cash flows or financial condition.

##### *Rociletinib-Related Litigation*

Following Clovis' regulatory announcement in November 2015 of adverse developments in its ongoing clinical trials for rociletinib, Clovis and certain of its current and former executives were named in various securities lawsuits, the largest of which was a putative class action lawsuit in the District of Colorado (the "Medina Action") which was settled on October 26, 2017 (the "Medina Settlement"). The open actions currently pending against Clovis are discussed below.

On November 10, 2016, Antipodean Domestic Partners ("Antipodean") filed a complaint (the "Antipodean Complaint") against Clovis and certain of its officers, directors and underwriters in New York Supreme Court, County of New York. The Antipodean Complaint alleges that the defendants violated certain sections of the Securities Act by making allegedly false statements to Antipodean and in the offering materials for the July 2015 Offering relating to the efficacy of rociletinib, its safety profile, and its prospects for market success. In addition to the Securities Act claims, the

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Antipodean Complaint also asserts Colorado state law claims and common law claims. Both the state law and common law claims are based on allegedly false and misleading statements regarding rociletinib's progress toward FDA approval. The Antipodean Complaint seeks compensatory, recessionary, and punitive damages.

On December 15, 2016, the Antipodean Plaintiffs filed an amended complaint (the "Antipodean Amended Complaint") asserting substantially the same claims against the same defendants and purporting to correct certain details in the original Antipodean Complaint.

On January 31, 2017, the defendants filed a motion to stay the Antipodean action pending resolution of the Medina Action in the District of Colorado. On March 14, 2017, the Clovis defendants and Antipodean participated in a mediation, which did not result in a settlement.

On March 29, 2017, the defendants filed a motion to dismiss the Antipodean Amended Complaint. On August 8, 2017, Justice Masley of the New York Supreme Court, County of New York granted the defendants' motion to stay. Per the Court's August 10, 2017 order, the defendants' motion to dismiss was held in abeyance and deemed submitted on November 1, 2017. On November 1, 2017, the defendants provided a status update to the Court regarding the outcome of the hearing. The update informed the Court that Antipodean had excluded itself from the Medina Settlement, as memorialized in the final judgment entered by the Medina Court.

On April 17, 2018, the parties participated in a Preliminary Conference, following which the Court entered a preliminary conference order, providing for, among other things, an end date for discovery of February 4, 2019.

On May 2, 2018, the Court issued an order denying the defendants' motion to dismiss. Defendants filed an answer to the Antipodean Amended Complaint on June 6, 2018.

The Company intends to vigorously defend against the allegations in the Antipodean Amended Complaint. However, there can be no assurance that the defense will be successful.

In March 2017, two putative shareholders of the Company, Macalinao and McKenry (the "Derivative Plaintiffs"), filed shareholder derivative complaints against certain directors and officers of the Company in the Court of Chancery of the State of Delaware. On May 4, 2017, the Macalinao and McKenry actions were consolidated for all purposes in a single proceeding under the caption *In re Clovis Oncology, Inc. Derivative Litigation*, Case No. 2017-0222 (the "Consolidated Derivative Action").

On May 18, 2017, the Derivative Plaintiffs filed a Consolidated Verified Shareholder Derivative Complaint (the "Consolidated Derivative Complaint"). The Consolidated Derivative Complaint generally alleged that the defendants breached their fiduciary duties owed to the Company by allegedly causing or allowing misrepresentations of the Company's business operations and prospects, failing to ensure that the TIGER-X clinical trial was being conducted in accordance with applicable rules, regulations and protocols, and engaging in insider trading. The Consolidated Derivative Complaint purported to rely on documents produced by the Company in response to prior demands for inspection of the Company's books and records served on the Company by each of Macalinao and McKenry under 8 Del. C. § 220. The Consolidated Derivative Complaint sought, among other things, an award of money damages.

On July 31, 2017, the defendants filed a motion to dismiss the Consolidated Derivative Complaint. Plaintiffs filed an opposition to the motion to dismiss on August 31, 2017, and the defendants filed a reply in further support of the motion to dismiss on September 26, 2017. Oral argument on the defendants' motion to dismiss the Consolidated Derivative Complaint has been scheduled for February 4, 2019.

The Company intends to vigorously defend against the allegations in the Consolidated Derivative Complaint, but there can be no assurance that the defense will be successful.

On March 20, 2017, a purported shareholder of the Company, filed a shareholder derivative complaint (the "Guo Complaint") against certain officers and directors of the Company in the United States District Court for the District of Colorado. The Guo Complaint generally alleged that the defendants breached their fiduciary duties owed to the Company by either recklessly or with gross negligence approving or permitting misrepresentations of the Company's business operations and prospects. The Guo Complaint also alleged claims for waste of corporate assets and unjust enrichment. Finally, the Guo Complaint alleged that certain of the individual defendants violated Section 14(a) of the

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Securities Exchange Act, by allegedly negligently issuing, causing to be issued, and participating in the issuance of materially misleading statements to stockholders in the Company's Proxy Statement on Schedule DEF 14A in connection with the 2015 Annual Meeting of Stockholders, held on June 11, 2015. The Guo Complaint sought, among other things, an award of money damages.

On June 19, 2017, the parties filed a joint motion to stay the Guo action pending resolution of the motion to dismiss the Consolidated Derivative Complaint. On June 20, 2017, the court granted the motion to stay.

The Company intends to vigorously defend against the allegations in the Guo Complaint, but there can be no assurance that the defense will be successful.

As previously disclosed, the Company has received inquiries and requests for information from governmental agencies, including the U.S. Securities and Exchange Commission ("SEC") and the U.S. Department of Justice, relating to the Company's regulatory update announcement in November 2015 that the FDA requested additional clinical data on the efficacy and safety of rociletinib. On April 9, 2018, the Company received a "Wells Notice" letter from the staff of the SEC issued in connection with this investigation. In addition, the Company's CEO, Patrick Mahaffy, also received a Wells notice. These Wells Notices advised that the staff had made a preliminary determination to recommend to the SEC that it file an action against the Company and Mr. Mahaffy regarding possible violations of the federal securities laws. The Company and Mr. Mahaffy then submitted Wells Submissions explaining their view that no enforcement action was warranted to the SEC staff.

Following these submissions, the Company and Mr. Mahaffy then engaged in discussions with the SEC staff to resolve this matter. The Company has now reached an agreement in principle with the SEC staff to settle this matter on negligence-based charges. Pursuant to the proposed settlement, without admitting or denying the SEC's allegations, the Company would agree to pay a \$20.0 million civil penalty, which the Company reserved as a loss contingency on its consolidated balance sheet as of June 30, 2018, and would stipulate to a standard injunction against future violations of those provisions of the federal securities laws. Mr. Mahaffy has separately reached an agreement in principle with the SEC staff on similar negligence-based allegations, to which he would neither admit nor deny, and pay a civil penalty and be similarly enjoined. Mr. Mahaffy will continue to serve as the Company's Chief Executive Officer and as a member of the Company's Board of Directors.

The proposed settlements would not allege that the Company or any of its current or former officers engaged in any intentional fraud or misconduct. The proposed settlements are subject to approval by the SEC and will also require approval by the United States District Court where the settlements are ultimately filed. There can be no assurances that the proposed settlements ultimately will be approved on these terms by either the SEC or the court, or when the settlements will be finalized. Once finalized, the settlements will resolve the SEC's nearly three year investigation into the regulatory approval process of rociletinib.

### *Director Compensation Litigation*

On May 10, 2017, John Solak, a purported shareholder of the Company, filed a shareholder derivative complaint in the Court of Chancery of the State of Delaware (the "Solak Complaint") against certain directors and an officer of the Company. The Solak Complaint generally alleged that the defendants breached their fiduciary duties owed to the Company by adopting a compensation plan that overcompensated the non-employee director defendants, in relation to companies of comparable market capitalization and size. The Solak Complaint also alleged claims of waste of corporate assets and unjust enrichment. The Solak Complaint sought, among other things, an award of money damages and the imposition of corporate governance reforms.

On February 26, 2018, the defendants entered into a stipulation of compromise and settlement with plaintiff that was intended to settle the Solak action. On May 30, 2018, the Court approved the stipulation upon the conclusion of a settlement hearing concerning the fairness of the terms of the proposed settlement. In accordance with the terms of the settlement, as incorporated by reference in the Court's Order and Final Judgment entered on the day of the hearing, the Company presented a new non-employee director compensation policy for shareholder vote at its 2018 annual shareholder meeting. Pursuant to the settlement, the Company is also instituting a number of corporate governance reforms, including, enhanced proxy disclosures, the codification of the Company's stock ownership guidelines for directors, and enhanced disclosure requirements for certain forms of director compensation. While no cash payments

were made to investors as part of the settlement, the court awarded a plaintiff's fee of \$395,000, which the Company paid on June 4, 2018. The settlement contained no admission of wrongdoing.

#### *European Patent Opposition*

Two oppositions were filed in the granted European counterpart of the rucaparib camsylate salt/polymorph patent on June 20, 2017. The grounds of opposition related to Rubraca were lack of novelty and lack of inventive step. A preliminary opinion and summons to oral proceedings were issued on April 4, 2018. The oral hearing is scheduled for December 4, 2018. The preliminary opinion provides a non-binding indication of the tribunal's view. In the preliminary opinion, the tribunal agree with some of our positions and agree with certain objections made by the opponents. As part of the proceeding, we have the opportunity to submit further argument and pursue alternative claims in the form of auxiliary requests. While the ultimate results of patent challenges can be difficult to predict, we believe a number of factors, including a constellation of unexpected properties, support the novelty and non-obviousness of our rucaparib camsylate salt/polymorph composition of matter patent.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Forward-Looking Information**

*This Quarterly Report on Form 10-Q and the information incorporated herein by reference includes statements that are, or may be deemed, "forward-looking statements." In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "plans," "intends," "may," "could," "might," "will," "should," "approximately" or, in each case, their negative or other variations thereon or comparable terminology, although not all forward-looking statements contain these words. They appear in a number of places throughout this Quarterly Report on Form 10-Q and include statements regarding our intentions, beliefs, projections, outlook, analyses or current expectations concerning, among other things, our ongoing and planned non-clinical studies and clinical trials, the timing of and our ability to make regulatory filings and obtain and maintain regulatory approvals for our product candidates, the degree of clinical utility of our products, particularly in specific patient populations, expectations regarding clinical trial data, our results of operations, financial condition, liquidity, prospects, growth and strategies, the industry in which we operate and the trends that may affect the industry or us.*

*By their nature, forward-looking statements involve risks and uncertainties because they relate to events, competitive dynamics and industry change and depend on the economic circumstances that may or may not occur in the future or may occur on longer or shorter timelines than anticipated. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity and the development of the industry in which we operate may differ materially from the forward-looking statements contained herein.*

*Any forward-looking statements that we make in this Quarterly Report on Form 10-Q speak only as of the date of such statement, and we undertake no obligation to update such statements to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect the occurrence of unanticipated events.*

*You should also read carefully the factors described in the "Risk Factors" in Part I, Item 1A in our most recent Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC"), as updated from time to time in our subsequent SEC filings, to better understand the risks and uncertainties inherent in our business and underlying any forward-looking statements.*

### **Overview**

We are a biopharmaceutical company focused on acquiring, developing and commercializing innovative anti-cancer agents in the United States, Europe and additional international markets. We target our development programs for the treatment of specific subsets of cancer populations, and simultaneously develop, with partners, diagnostic tools intended to direct a compound in development to the population that is most likely to benefit from its use.

Our marketed product Rubraca® (rucaparib) is approved in the United States by the Food and Drug Administration (“FDA”) for two indications, encompassing two settings for the treatment of recurrent epithelial ovarian, fallopian tube or primary peritoneal cancer. The initial treatment indication received in December 2016 covers the treatment of adult patients with deleterious BRCA (human genes associated with the repair of damaged DNA) mutation (germline and/or somatic) epithelial ovarian, fallopian tube, or primary peritoneal cancer who have been treated with two or more chemotherapies, and selected for therapy based on an FDA-approved companion diagnostic for Rubraca. In April 2018, the FDA also approved Rubraca for the maintenance treatment of adult patients with recurrent epithelial ovarian, fallopian tube, or primary peritoneal cancer who are in a complete or partial response to platinum-based chemotherapy. The FDA granted regular approval for Rubraca in this second, broader and earlier-line indication on a priority review timeline based on positive data from the phase 3 ARIEL3 clinical trial. Diagnostic testing is not required for patients to be prescribed Rubraca in this maintenance treatment indication.

In May 2018, the European Commission granted a conditional marketing authorization for Rubraca as monotherapy treatment of adult patients with platinum sensitive, relapsed or progressive, BRCA mutated (germline and/or somatic), high-grade epithelial ovarian, fallopian tube, or primary peritoneal cancer, who have been treated with two or more prior lines of platinum based chemotherapy, and who are unable to tolerate further platinum based chemotherapy. As this is a conditional approval, it will be necessary to complete confirmatory post marketing commitments, including ensuring that sufficient partially platinum sensitive patients are enrolled in our ARIEL4 confirmatory trial to support the indication. This may require enrollment of additional patients into the study, increasing its overall size and extending the time for enrollment. In June 2018, we submitted to the EMA a variation to the marketing authorization for the maintenance treatment of adult patients with recurrent epithelial ovarian, fallopian tube, or primary peritoneal cancer who are in a complete or partial response to platinum-based chemotherapy, for which we received EMA validation for this application in July 2018. We anticipate an opinion on this application from the CHMP of the EMA by the end of 2018.

Beyond our initial labeled indication, we have a robust Rubraca clinical development program underway in a variety of solid tumor types, also including prostate and bladder cancers, and in July 2017, we entered into a broad clinical collaboration with Bristol-Myers Squibb Company to evaluate the combination of their immunotherapy OPDIVO (nivolumab) with Rubraca in several tumor types. We hold worldwide rights for Rubraca.

In June 2011, we obtained an exclusive, worldwide license from Pfizer to develop and commercialize rucaparib. U.S. Patent 6,495,541, and its equivalent counterparts issued in dozens of countries, directed to the rucaparib composition of matter, expire in 2020 and are potentially eligible for up to five years patent term extension in various jurisdictions. We believe that patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984 (the “Hatch-Waxman Act”) could be available to extend our patent exclusivity for rucaparib to the fourth quarter of 2023 in the United States. In Europe, we believe that patent term extension under a supplementary protection certificate could be available for an additional five years for one European patent directed to Rubraca. In April 2012, we obtained an exclusive license from AstraZeneca under a family of patents and patent applications which will permit the development and commercialization of rucaparib for certain methods of treating patients with PARP inhibitors. Additionally, other patents and patent applications are directed to methods of making, methods of using, dosing regimens, various salt and polymorphic forms and formulations and have expiration dates ranging from 2020 through potentially 2035, including the camsylate salt/polymorph patent family licensed from Pfizer, which expires in 2031 and a patent family directed to high dosage strength rucaparib tablets that expires in 2035. As of May 3, 2018, the rucaparib camsylate salt/polymorph patent was issued in 47 countries to date (including US and Europe), with applications pending in 9 countries, and the rucaparib composition of matter patent was issued in 48 countries. We are aware of a number of challenges of salt and polymorph patents. Two oppositions were filed in the granted European counterpart of the rucaparib camsylate salt/polymorph patent on June 20, 2017. European oppositions are commonly filed against patents related to pharmaceutical products. The grounds of opposition related to Rubraca were lack of novelty and lack of inventive step. The novelty and inventive step challenges are based on prior art references (or closely related disclosures) that were previously raised by the European patent examiner during prosecution of the application. The claims of the granted patent were found to be patentable over this prior art. A preliminary opinion and summons to oral proceedings were issued on April 4, 2018. The oral hearing is scheduled for December 4, 2018. The preliminary opinion provides a non-binding indication of the tribunal’s view. In the preliminary opinion, the tribunal agree with some of our positions and agree with certain objections made by the opponents. As part of the proceeding, we have the opportunity to submit further argument and pursue alternative claims in the form of auxiliary requests. While the ultimate results of patent challenges can be difficult to predict, we believe a number of factors, including a constellation of unexpected properties, support the novelty and non-obviousness of our rucaparib camsylate salt/polymorph composition of matter

patent. We believe a successful challenge of all claims relevant to Rubraca would be difficult. Our high dosage strength rucaparib tablets patent issued in the United States on June 5, 2018, with claims that cover the commercial Rubraca product, including all commercial dosage strengths expires in 2035. Additionally, in Europe, regulatory exclusivity is available for ten years, plus one year for a new indication, therefore, we have regulatory exclusivity for Rubraca in Europe until 2028, and if an additional indication is approved, until 2029.

In addition to Rubraca, we have two other product candidates.

Lucitanib is an oral, potent inhibitor of the tyrosine kinase activity of vascular endothelial growth factor receptors 1 through 3 (VEGFR1-3), platelet-derived growth factor receptors alpha and beta (PDGFR  $\alpha/\beta$ ) and fibroblast growth factor receptors 1 through 3 (FGFR1-3). Lucitanib was originally developed by Clovis and Servier with the hypothesis of activity in FGFR driven tumors; however, data in breast and lung cancer were insufficient to move the program forward. We have received notice from Servier of termination of their rights to lucitanib, resulting in the return of global rights (excluding China) for lucitanib to us later in 2018. We believe that recent data for a drug similar to lucitanib that inhibits these same pathways – when combined with a PD-1 inhibitor – provide support for development of lucitanib in combination with a PD-(L)1 inhibitor, and we intend to initiate a study of the combination. We also intend to initiate a study of lucitanib in combination with Rubraca, based on encouraging data of VEGF and PARP inhibitors in combination. Each of these studies is expected to initiate in the first quarter of 2019. We maintain certain development and commercialization rights for lucitanib. Following the termination of the Servier license agreement, we will have global development and commercialization rights (except for China) for lucitanib.

Rociletinib is an oral mutant-selective inhibitor of epidermal growth factor receptor (“EGFR”). While we have stopped enrollment in ongoing trials for rociletinib, we continue to provide drug to patients whose clinicians recommend continuing therapy. We have global development and commercialization rights for rociletinib.

We commenced operations in April 2009. To date, we have devoted substantially all of our resources to identifying and in-licensing product candidates, performing development activities with respect to those product candidates and the general and administrative support of these operations. Through June 30, 2018, we have generated \$13.6 million in license and milestone revenue related to our collaboration and license agreement with Servier and for the six months ended June 30, 2018 and 2017 have generated \$42.3 million and \$21.7 million, respectively, product revenue related to sales of Rubraca, which we began to commercialize on December 19, 2016. We have principally funded our operations using the net proceeds from the sale of convertible preferred stock, the issuance of convertible promissory notes, public offerings of our common stock and our convertible senior notes offering.

We have never been profitable and, as of June 30, 2018, we had an accumulated deficit of \$1,654.0 million. We incurred net losses of \$178.9 million and \$233.8 million for the six months ended June 30, 2018 and 2017, respectively. We had cash, cash equivalents and available-for-sale securities totaling \$682.2 million at June 30, 2018.

We expect to incur significant losses for the foreseeable future, as we incur costs related to commercial activities associated with Rubraca. In April 2018, we sold 1,837,898 shares of our common stock in a public offering at \$54.41 per share. The net proceeds from the offering were \$93.8 million, after deducting underwriting discounts and commissions and offering expenses. Concurrently, we completed the public offering of \$300.0 million aggregate principal amount of 1.25% convertible senior notes due 2025. The net proceeds from this offering were \$291.0 million, after deducting underwriting discounts and commissions and offering expenses. We intend to use the net proceeds of the offerings for general corporate purposes, including sales and marketing expenses associated with Rubraca in the United States and Europe, funding of our development programs, selling, general and administrative expenses, acquisition or licensing of additional product candidates or businesses and working capital. Based on current estimates, we believe that our existing cash, cash equivalents and available-for-sale securities will allow us to fund our operating plan through at least the next 12 months. Until we can generate a sufficient amount of revenue from Rubraca, we expect to finance our operations in part through additional public or private equity or debt offerings and may seek additional capital through arrangements with strategic partners or from other sources. Adequate additional financing may not be available to us on acceptable terms, or at all. Our failure to raise capital as and when needed would have a negative impact on our financial condition and our ability to pursue our business strategy. We will need to generate significant revenues to achieve profitability, and we may never do so.

## **Product License Agreements**

### ***Rucaparib***

In June 2011, we entered into a worldwide license agreement with Pfizer, Inc. to obtain exclusive global rights to develop and commercialize rucaparib, a small molecule inhibitor of poly (ADP-ribose) polymerase (“PARP”), used for the treatment of selected solid tumors. The exclusive rights are exclusive even as to Pfizer and include the right to grant sublicenses. Pursuant to the terms of the license agreement, we made a \$7.0 million upfront payment to Pfizer and are required to make additional payments to Pfizer for the achievement of certain development and regulatory and sales milestones and royalties on sales as required by the license agreement. Prior to the FDA approval of rucaparib, discussed below, we made milestone payments of \$1.4 million, which were recognized as acquired in-process research and development expense.

On August 30, 2016, we entered into a first amendment to the worldwide license agreement with Pfizer, which amends the June 2011 existing worldwide license agreement to permit us to defer payment of the milestone payments payable upon (i) FDA approval of an NDA for 1<sup>st</sup> Indication in US and (ii) EMA approval of an MAA for 1<sup>st</sup> Indication in EU, to a date that is 18 months after the date of achievement of such milestones.

On December 19, 2016, the FDA approved Rubraca (rucaparib) tablets as monotherapy for the treatment of patients with deleterious BRCA mutation (germline and/or somatic) associated advanced ovarian cancer who have been treated with two or more chemotherapies, and selected for therapy based on an FDA-approved companion diagnostic for Rubraca. The FDA approval resulted in a \$0.75 million milestone payment to Pfizer as required by the license agreement, which was made in the first quarter of 2017. The FDA approval also resulted in the obligation to pay a \$20.0 million milestone payment, for which we exercised the option to defer payment by agreeing to pay \$23.0 million within 18 months after the date of the FDA approval. We paid the \$23.0 million milestone payment in June 2018.

On April 6, 2018, the FDA approved our sNDA for Rubraca as maintenance treatment of adult patients with recurrent epithelial ovarian, fallopian tube, or primary peritoneal cancer who are in a complete or partial response to platinum-based chemotherapy. This approval resulted in the obligation to pay a \$15.0 million milestone payment, which we paid in April 2018.

In May 2018, the European Commission granted a conditional marketing authorization for Rubraca as monotherapy treatment of adult patients with platinum sensitive, relapsed or progressive, BRCA mutated (germline and/or somatic), high-grade epithelial ovarian, fallopian tube, or primary peritoneal cancer, who have been treated with two or more prior lines of platinum based chemotherapy, and who are unable to tolerate further platinum based chemotherapy. This approval resulted in the obligation to pay a \$20.0 million milestone payment, which we paid in June 2018.

These milestone payments were recognized as intangible assets and will be amortized over the estimated remaining useful life of Rubraca.

We are obligated under the license agreement to use commercially reasonable efforts to develop and commercialize rucaparib and we are responsible for all remaining development and commercialization costs for rucaparib. We are required to make regulatory milestone payments to Pfizer of up to an additional \$31.75 million in aggregate if specified clinical study objectives and regulatory filings, acceptances and approvals are achieved. In addition, we are obligated to make sales milestone payments to Pfizer if specified annual sales targets for rucaparib are met which relate to annual sales targets of \$250.0 million and above, which, in the aggregate, could amount to total milestone payments of \$170.0 million, and tiered royalty payments at a mid-teen percentage rate on our net sales, with standard provisions for royalty offsets to the extent we need to obtain any rights from third parties to commercialize rucaparib.

In April 2012, we entered into a license agreement with AstraZeneca UK Limited to acquire exclusive rights associated with rucaparib under a family of patents and patent applications that claim methods of treating patients with PARP inhibitors in certain indications. The license enables the development and commercialization of rucaparib for the uses claimed by these patents. AstraZeneca receives royalties on any net sales of rucaparib.

### **Lucitanib**

In connection with our acquisition of EOS in November 2013, we gained rights to develop and commercialize lucitanib, an oral, selective tyrosine kinase inhibitor. As further described below, EOS licensed the worldwide rights, excluding China, to develop and commercialize lucitanib from Advenchen Laboratories LLC (“Advenchen”). Subsequently, rights to develop and commercialize lucitanib in markets outside the U.S. and Japan were sublicensed by EOS to Servier in exchange for upfront milestone fees, royalties on sales of lucitanib in the sublicensed territories and research and development funding commitments.

In October 2008, EOS entered into an exclusive license agreement with Advenchen to develop and commercialize lucitanib on a global basis, excluding China. We are obligated to pay Advenchen tiered royalties at percentage rates in the mid-single digits on net sales of lucitanib, based on the volume of annual net sales achieved. In addition, after giving effect to the first and second amendments to the license agreement, we are required to pay to Advenchen 25% of any consideration, excluding royalties, received pursuant to any sublicense agreements for lucitanib, including the agreement with Servier. We are obligated under the agreement to use commercially reasonable efforts to develop and commercialize at least one product candidate containing lucitanib, and we are also responsible for all remaining development and commercialization costs for lucitanib.

The license agreement with Advenchen will remain in effect until the expiration of all our royalty obligations to Advenchen, determined on a product-by-product and country-by-country basis, unless we elect to terminate the agreement earlier. If we fail to meet our obligations under the agreement and are unable to cure such failure within specified time periods, Advenchen can terminate the agreement, resulting in a loss of our rights to lucitanib.

During 2017, we completed the committed on-going development activities related to lucitanib and received full reimbursement of our development costs from Servier. Reimbursements are recorded as a reduction to research and development expense on the Consolidated Statements of Operations. Lucitanib was originally developed by Clovis and Servier with the hypothesis of activity in FGFR driven tumors; however, data in breast and lung cancer were insufficient to move the program forward. We have received notice from Servier of termination of their rights to lucitanib, resulting in the return of global rights (excluding China) for lucitanib to us later in 2018.

We are party to a product license agreement for our other drug candidate rociletinib (see our 2017 Form 10-K for additional details).

### **Financial Operations Overview**

#### **Revenue**

Product revenue is derived from sales of our product, Rubraca, in the United States. We distribute our product in the U.S. principally through a limited number of specialty distributor and specialty pharmacy providers, collectively, our customers. Our customers subsequently sell our products to patients and healthcare providers. Separately, we have arrangements with certain payors and other third parties that provide for government-mandated and privately-negotiated rebates, chargebacks and other discounts. Revenue is recorded net of estimated rebates, chargebacks, discounts and other deductions as well as estimated product returns (collectively, “variable considerations”). Revenue from product sales are recognized when customers obtain control of our product, which occurs at a point in time, typically upon delivery to the customers. For further discussion of our revenue recognition policy, see Note 2, *Summary of Significant Accounting Policies* in the Revenue Recognition section.

In the three and six months ended June 30, 2018, we recorded product revenue of \$23.8 million and \$42.3 million, respectively, related to sales of Rubraca, which we began to commercialize on December 19, 2016. Our ability to generate revenue and become profitable depends upon our ability to successfully commercialize products. Any inability on our part to successfully commercialize Rubraca in the United States and any foreign territories where it may be approved, or any significant delay in such approvals, could have a material adverse impact on our ability to execute upon our business strategy and, ultimately, to generate sufficient revenues from Rubraca to reach or maintain profitability or sustain our anticipated levels of operations.

We supply commercially labeled Rubraca free of charge to eligible patients who qualify due to financial need through our patient assistance program and the majority of these patients are on Medicare. This product is distributed

through a separate vendor who administers the program on our behalf. It is not distributed through our specialty distributor and specialty pharmacy network. This product is neither included in the transaction price nor the variable considerations to arrive at product revenue. Manufacturing costs associated with this free product is included in selling, general and administrative expenses. In the three months ended June 30, 2018, the supply of this free drug was approximately 25% of the overall commercial supply or the equivalent of \$7.9 million in commercial value. In the six months ended June 30, 2018, the supply of this free drug was approximately 24% of the overall commercial supply or the equivalent of \$13.4 million in commercial value. We expect the free product percentage to continue in the mid to high 20-percent range for the remainder of 2018.

***Cost of Sales – Product***

Product cost of sales consists primarily of materials, third-party manufacturing costs as well as freight and royalties owed to our licensing partners for Rubraca sales.

***Cost of Sales – Intangible Asset Amortization***

Cost of sales for intangible asset amortization consists of the amortization of capitalized milestone payments made to our licensing partners upon FDA approval of Rubraca. Milestone payments are amortized on a straight-line basis over the estimated remaining patent life of Rubraca.

***Research and Development Expenses***

Research and development expenses consist of costs incurred for the development of our product candidates and companion diagnostics, which include:

- license fees and milestone payments related to the acquisition of in-licensed products, which are reported on our Consolidated Statements of Operations as acquired in-process research and development;
- employee-related expenses, including salaries, benefits, travel and share-based compensation expense;
- expenses incurred under agreements with contract research organizations and investigative sites that conduct our clinical trials;
- the cost of acquiring, developing and manufacturing clinical trial materials;
- costs associated with non-clinical activities and regulatory operations;
- market research, disease education and other commercial product planning activities, including the hiring of a U.S. sales and marketing and medical affairs organization in preparation for the commercial launch of rucaparib; and
- activities associated with the development of companion diagnostics for our product candidates.

Research and development costs are expensed as incurred. License fees and milestone payments related to in-licensed products and technology are expensed if it is determined that they have no alternative future use. Costs for certain development activities, such as clinical trials and manufacturing of clinical supply, are recognized based on an evaluation of the progress to completion of specific tasks using data such as patient enrollment, clinical site activations or information provided to us by our vendors. Our research and development expenses increased in the three and six months ended June 30, 2018 compared to the same period in the prior year. Our research and development expenses will continue to increase compared to last year due to higher research and development costs for rucaparib.

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The following table identifies research and development and acquired in-process research and development costs on a program-specific basis for our products under development. Personnel-related costs, depreciation and share-based compensation are not allocated to specific programs, as they are deployed across multiple projects under development and, as such, are separately classified as personnel and other expenses in the table below (in thousands):

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	(in thousands)			
<b>Rucaparib Expenses</b>				
Research and development	\$ 33,049	\$ 16,980	\$57,556	\$31,490
Rucaparib Total	33,049	16,980	57,556	31,490
<b>Lucitanib Expenses</b>				
Research and development (a)	218	(13)	227	(99)
Lucitanib Total	218	(13)	227	(99)
<b>Rociletinib Expenses</b>				
Research and development	\$ 579	\$ 1,528	1,594	4,719
Rociletinib Total	579	1,528	1,594	4,719
Personnel and other expenses	18,861	14,613	36,873	29,445
Total	<b>\$ 52,707</b>	<b>\$ 33,108</b>	<b>\$96,250</b>	<b>\$65,555</b>

- (a) This amount reflects actual costs incurred less amounts due from Servier for reimbursable development expenses pursuant to the collaboration and license agreement described in Note 12, *License Agreements* to our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q.

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

Selling, general and administrative expenses consist principally of salaries and related costs for personnel in executive, commercial, finance, legal, investor relations, human resources, and information technology functions. Other selling, general and administrative expenses include facilities expenses, communication expenses, information technology costs, corporate insurance and professional fees for legal, consulting and accounting services. With the FDA approval of Rubraca on December 19, 2016, all sales and marketing expenses associated with Rubraca are included in selling, general and administrative expenses. Our selling, general and administrative expenses will continue to increase compared to last year in support of our commercial activities related to Rubraca in the United States and Europe.

### ***Acquired In-Process Research and Development Expenses***

Acquired in-process research and development expenses consist of upfront payments to acquire a new drug compound, as well as subsequent milestone payments. Acquired in-process research and development payments are immediately expensed provided that the drug has not achieved regulatory approval for marketing and, absent obtaining such approval, has no alternative future use. Once regulatory approval is received, payments to acquire rights, and the related milestone payments, are capitalized and the amortization of such assets recorded to intangible asset amortization cost of sales.

### ***Other Income and Expense***

Other income and expense is primarily comprised of foreign currency gains and losses resulting from transactions with contract research organizations ("CROs"), investigational sites and contract manufacturers where payments are made in currencies other than the U.S. dollar. Other expense also includes interest expense recognized related to our convertible senior notes.

### **Critical Accounting Policies and Significant Judgments and Estimates**

Our discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, expenses and revenue and related disclosures. On an ongoing basis, we evaluate our estimates and judgments,

including those related to revenue deductions, intangible asset impairment, clinical trial accruals and share-based compensation expense. We base our estimates on historical experience, known trends and events and various other factors that are believed 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. Actual results may differ from these estimates under different assumptions or conditions.

For a description of our critical accounting policies, please see Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. Other than the change to our revenue recognition policy discussed in Note 2, *Summary of Significant Accounting Policies*, there have not been any material changes to our critical accounting policies since December 31, 2017.

**New Accounting Standards**

From time to time, the Financial Accounting Standards Board (“FASB”) or other standards-setting bodies issue new accounting pronouncements. Updates to the FASB Accounting Standards Codification are communicated through the issuance of an Accounting Standards Update. Unless otherwise discussed, we believe that the impact of recently issued guidance, whether adopted or to be adopted in the future, is not expected to have a material impact on our Consolidated Financial Statements upon adoption.

To understand the impact of recently issued guidance, whether adopted or to be adopted, please review the information provided in Note 2, *Summary of Significant Accounting Policies*, in the Notes to the Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

**Results of Operations**

**Comparison of Three Months Ended June 30, 2018 and 2017:**

The following table summarizes the results of our operations for the three months ended June 30, 2018 and 2017 (in thousands):

	Three months ended		Change	
	June 30,		Favorable/(Unfavorable)	
	2018	2017	\$	%
Product revenue	\$ 23,757	\$ 14,620	\$ 9,137	62 %
Operating expenses:				
Cost of sales - product	4,490	2,730	(1,760)	(64)%
Cost of sales - intangible asset amortization	709	372	(337)	(91)%
Research and development	52,707	33,108	(19,599)	(59)%
Selling, general and administrative	44,864	36,149	(8,715)	(24)%
Total expenses	<u>102,770</u>	<u>72,359</u>	<u>(30,411)</u>	<u>(42)%</u>
Operating loss	(79,013)	(57,739)	(21,274)	(37)%
Other income (expense):				
Interest expense	(3,581)	(2,598)	(983)	(38)%
Foreign currency (loss) gain	(104)	76	(180)	(237)%
Legal settlement loss	—	(117,000)	117,000	100 %
SEC settlement costs reserve	(20,000)	—	(20,000)	(100)%
Other income	1,475	594	881	148 %
Other expense, net	<u>(22,210)</u>	<u>(118,928)</u>	<u>96,718</u>	<u>81 %</u>
Loss before income taxes	(101,223)	(176,667)	75,444	43 %
Income tax benefit	33	1,281	(1,248)	(97)%
Net loss	<u>\$(101,190)</u>	<u>\$(175,386)</u>	<u>\$ 74,196</u>	<u>42 %</u>

**Product Revenue.** Product revenue for the three months ended June 30, 2018 increased compared to the same period in the prior year primarily due to continued growth in sales of Rubraca, which was approved for sale in the United States markets and we began shipping on December 19, 2016. Product revenue is recorded net of variable considerations

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comprised of rebates, chargebacks and other discounts. Variable considerations represented approximately 9.9% and 7.9% of the transaction price recognized in the three months ended June 30, 2018 and 2017, respectively, and are summarized as follows:

	Three months ended June 30, 2018		Three months ended June 30, 2017	
	\$ (in thousands)	% of Gross Sales	\$ (in thousands)	% of Gross Sales
Transaction price	\$ 26,390	100.0%	\$ 15,876	100.0%
Variable considerations:				
Government rebates and chargebacks	1,583	5.9%	635	4.0%
Discounts and fees	1,050	4.0%	621	3.9%
Total variable considerations	2,633	9.9%	1,256	7.9%
Product revenue	\$ 23,757	90.1%	\$ 14,620	92.1%

**Cost of Sales – Product.** Product cost of sales for the three months ended June 30, 2018 increased compared to the same period in the prior year primarily due to the increase in product revenue. Product cost of sales primarily relate to manufacturing, freight and royalties costs associated with Rubraca sales in the period. Manufacturing costs associated with sales in the three months ended June 30, 2017 were expensed as incurred based on our policy to expense costs associated with the manufacture of our products prior to regulatory approval, and therefore, a minimal amount is included as product cost of sales. These costs increased in the three months ended June 30, 2018, as we depleted these inventories as of the fourth quarter 2017.

**Cost of Sales – Intangible Asset Amortization.** In the three months ended June 30, 2018 and 2017, we recognized cost of sales of \$0.7 million and \$0.4 million, respectively, associated with the amortization of capitalized milestone payments related to the approvals of Rubraca by the FDA in December 2016 and April 2018 and by the European Commission in May 2018.

**Research and Development Expenses.** Research and development expenses increased during the three months ended June 30, 2018 compared to the same period in the prior year primarily due to higher research and development costs for rucaparib. Clinical trial costs for rucaparib were higher compared to the same quarter a year ago due to increased enrollment in our TRITON2 and TRITON3 studies for prostate cancer. We have increased costs related to our new ATLAS study for bladder cancer and our ATHENA combination study with Bristol-Myers Squibb Company’s immunotherapy OPDIVO for ovarian cancer. In addition, personnel costs increased during the three months ended June 30, 2018 due to higher headcount.

Clinical trial costs for rociletinib were \$0.9 million lower than the second quarter of 2017 primarily due to the completion of patient enrollment for all of the TIGER studies in non-small cell lung cancer.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses increased during the three months ended June 30, 2018 compared to the same period in the prior year primarily due to \$3.3 million higher legal expense and \$3.6 million higher stock compensation expense.

**Interest Expense.** Interest expense increased during the three months ended June 30, 2018 compared to the same period in the prior year primarily due to the issuance of the 2025 Notes on April 19, 2018.

**Legal Settlement Loss.** During the second quarter of 2017, we recorded a one-time charge of \$117.0 million related to an agreement to resolve a litigation claim against us and certain of our officers.

**SEC Settlement Costs Reserve.** During the second quarter of 2018, we recorded a one-time charge of \$20.0 million related to a preliminary agreement reached with the SEC that, if approved by the SEC and the U.S. District Court where the settlement is filed, would resolve the SEC’s pending investigation. See Note 14, *Commitments and Contingencies* for further information regarding this investigation and other legal proceedings.

**Comparison of Six Months Ended June 30, 2018 and 2017:**

The following table summarizes the results of our operations for the six months ended June 30, 2018 and 2017 (in thousands):

	Six months ended June 30,		Change	
	2018	2017	Favorable/(Unfavorable) \$	%
Product revenue	\$ 42,279	\$ 21,665	\$ 20,614	95 %
Operating expenses:				
Cost of sales - product	8,495	3,893	(4,602)	(118)%
Cost of sales - intangible asset amortization	1,080	743	(337)	(45)%
Research and development	96,250	65,555	(30,695)	(47)%
Selling, general and administrative	84,138	65,373	(18,765)	(29)%
Total expenses	189,963	135,564	(54,399)	(40)%
Operating loss	(147,684)	(113,899)	(33,785)	(30)%
Other income (expense):				
Interest expense	(6,216)	(5,178)	(1,038)	(20)%
Foreign currency loss	(185)	(83)	(102)	(123)%
Legal settlement loss	(7,975)	(117,000)	109,025	93 %
SEC settlement costs reserve	(20,000)	—	(20,000)	(100)%
Other income	2,883	946	1,937	205 %
Other expense, net	(31,493)	(121,315)	89,822	74 %
Loss before income taxes	(179,177)	(235,214)	56,037	24 %
Income tax benefit	292	1,365	(1,073)	(79)%
Net loss	\$ (178,885)	\$ (233,849)	\$ 54,964	24 %

**Product Revenue.** Product revenue for the six months ended June 30, 2018 increased compared to the same period in the prior year primarily due to continued growth in sales of Rubraca, which was approved for sale in the United States markets and we began shipping on December 19, 2016. Product revenue is recorded net of variable considerations comprised of rebates, chargebacks and other discounts. Variable considerations represented 10.2% and 8.9% of the transaction price recognized in the three months ended June 30, 2018 and 2017, respectively, and are summarized as follows:

	Six months ended June 30, 2018		Six months ended June 30, 2017	
	\$ (in thousands)	% of Gross Sales	\$ (in thousands)	% of Gross Sales
Gross product revenue	\$ 47,091	100.0%	\$ 23,778	100.0%
Sales deductions:				
Government rebates and chargebacks	2,963	6.3%	1,072	4.5%
Discounts and fees	1,849	3.9%	1,041	4.4%
Total sales deductions	4,812	10.2%	2,113	8.9%
Product revenue, net	\$ 42,279	89.8%	\$ 21,665	91.1%

**Cost of Sales – Product.** Product cost of sales for the six months ended June 30, 2018 increased compared to the same period in the prior year primarily due to the increase in product revenue. Product cost of sales primarily relate to manufacturing, freight and royalties costs associated with Rubraca sales in the period. Manufacturing costs associated with sales in the six months ended June 30, 2017 were expensed as incurred based on our policy to expense costs associated with the manufacture of our products prior to regulatory approval, and therefore, a minimal amount is included as product cost of sales. These costs increased in the six months ended June 30, 2018, as we depleted these inventories as of the fourth quarter 2017.

**Cost of Sales – Intangible Asset Amortization.** In the six months ended June 30, 2018 and 2017, we recognized cost of sales of \$1.1 million and \$0.7 million, respectively, associated with the amortization of capitalized milestone

payments related to the approvals of Rubraca by the FDA in December 2016 and April 2018 and by the European Commission in May 2018.

**Research and Development Expenses.** Research and development expenses increased during the six months ended June 30, 2018 compared to the same period in the prior year primarily due to higher research and development costs for rucaparib. Clinical trial costs for rucaparib were higher compared to the same period a year ago due to higher costs from increased enrollment in ARIEL4, our confirmatory ovarian cancer trials, and increased enrollment in our TRITON2 and TRITON3 studies for prostate cancer. We have increased costs related to our new ATLAS study for bladder cancer, our ATHENA combination study with Bristol-Myers Squibb Company’s immunotherapy OPDIVO for ovarian cancer and our RUCA-J study for ovarian cancer in Japan. In addition, personnel costs increased during the six months ended June 30, 2018 due to higher headcount.

Clinical trial costs for rociletinib were \$3.1 million lower than the six months ended June 30, 2017 primarily due to the completion of patient enrollment for all of the TIGER studies in non-small cell lung cancer.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses increased during the six months ended June 30, 2018 compared to the same period in the prior year primarily due to the increase of costs associated with building out the European infrastructure in anticipation of commercialization there. In addition, there was an increase of \$4.3 million in legal expense and \$4.8 million in stock compensation expense.

**Interest Expense.** Interest expense increased during the six months ended June 30, 2018 compared to the same period in the prior year primarily due to the issuance of the 2025 Notes on April 19, 2018.

**Legal Settlement Loss.** During the first quarter of 2018, we recorded a one-time charge of \$8.0 million related to an agreement to resolve a potential litigation claim against us and our officers. During the second quarter of 2017, we recorded a one-time charge of \$117.0 million related to an agreement to resolve a litigation claim against us and certain of our officers.

**SEC Settlement Costs Reserve.** During the second quarter of 2018, we recorded a one-time charge of \$20.0 million related to a preliminary agreement reached with the SEC that, if approved by the SEC and the U.S. District Court where the settlement is filed, would resolve the SEC’s ongoing investigation. See Note 14, *Commitments and Contingencies* for further information regarding this investigation and other legal proceedings.

**Other Income.** Other income increased during the six months ended June 30, 2018 compared to the same period in the prior year due to interest income earned on our available-for-sale securities.

#### Liquidity and Capital Resources

To date, we have funded our operations through the public offering of our common stock and the private placement of convertible debt securities and preferred stock. In April 2018, we sold 1,837,898 shares of our common stock in a public offering at \$54.41 per share. The net proceeds from the offering were \$93.8 million, after deducting underwriting discounts and commissions and offering expenses. Concurrently, we completed the public offering of \$300.0 million aggregate principal amount of 1.25% convertible senior notes due 2025. The net proceeds from this offering were \$291.0 million, after deducting underwriting discounts and commissions and offering expenses. At June 30, 2018, we had cash, cash equivalents and available-for-sale securities totaling \$682.2 million.

The following table sets forth the primary sources and uses of cash for the six months ended June 30, 2018 and 2017 (in thousands):

	<b>Six months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
Net cash used in operating activities	\$ (210,844)	\$ (149,541)
Net cash used in investing activities	(172,208)	(133,864)
Net cash provided by financing activities	387,382	558,440
Effect of exchange rate changes on cash and cash equivalents	(207)	565
Net increase in cash and cash equivalents	<u>\$ 4,123</u>	<u>\$ 275,600</u>

### ***Operating Activities***

Net cash used in operating activities for all periods resulted primarily from our net losses adjusted for non-cash items and changes in components of working capital. Net cash used in operating activities was higher during the six months ended June 30, 2018 compared to the same period in the prior year due to a higher net loss as adjusted for non-cash items and increases in the operating assets needed to support the commercialization of Rubraca, most notably related to inventory.

### ***Investing Activities***

Net cash used in investing activities for the six months ended June 30, 2018 includes net purchases of available-for-sale securities of \$115.0 million and milestone payments of \$55.0 million. Net cash used in investing activities in the same period in the prior year was mainly the result of net purchases of available-for-sale securities of \$130.0 million in that period.

### ***Financing Activities***

Net cash provided by financing activities for the six months ended June 30, 2018 and 2017 includes \$2.6 million and \$12.3 million, respectively, received from employee stock option exercises. We completed the sale of \$93.8 million and \$546.2 million of common stock, net of issuance costs, respectively, during the six months ended June 30, 2018 and June 30, 2017. In addition, we issued \$291.0 million of convertible senior notes, net of issuance costs during the six months ended June 30, 2018.

### ***Operating Capital Requirements***

We expect to incur significant losses for the foreseeable future, as we commercialize Rubraca and expand our selling, general and administrative functions to support the growth in our commercial organization. Additionally, our operating plan for the remainder of 2018 includes a significant investment in inventory to meet the projected commercial requirements for Rubraca. We receive the active pharmaceutical ingredient in Rubraca from one supplier and we experience long lead times associated with its production. Accordingly, we expect to experience a decrease in our liquidity at the beginning of a production cycle and an increase as the inventory produced is sold through.

As of June 30, 2018, we had cash, cash equivalents and available-for-sale securities totaling \$682.2 million and total current liabilities of \$76.6 million. In April 2018, we sold 1,837,898 shares of our common stock in a public offering at \$54.41 per share. The net proceeds from the offering were \$93.8 million, after deducting underwriting discounts and commissions and offering expenses. Concurrently, we completed the public offering of \$300.0 million aggregate principal amount of 1.25% convertible senior notes due 2025. The net proceeds from this offering were \$291.0 million, after deducting underwriting discounts and commissions and offering expenses. We intend to use the net proceeds of the offerings for general corporate purposes, including sales and marketing expenses associated with Rubraca in the United States and Europe, funding of our development programs, selling, general and administrative expenses, acquisition or licensing of additional product candidates or businesses and working capital. Based on current estimates, we believe that our existing cash, cash equivalents and available-for-sale securities will allow us to fund our operating plan through at least the next 12 months.

Our product supply costs will be approximately \$10 million for the remainder of 2018. These costs reflect our plan to produce additional inventory in advance of the transition to a new manufacturing facility for Rubraca. We will also incur final capital costs for the new manufacturing facility of approximately \$8 million in late 2018.

Because of the numerous risks and uncertainties associated with research, development and commercialization of pharmaceutical products, we are unable to estimate the exact amounts of our working capital requirements. Our future funding requirements will depend on many factors, including but not limited to:

- the number and characteristics of the product candidates, companion diagnostics and indications we pursue;
- the achievement of various development, regulatory and commercial milestones resulting in required payments to partners pursuant to the terms of our license agreements;
- the scope, progress, results and costs of researching and developing our product candidates and related companion diagnostics and conducting clinical and non-clinical trials;

- the timing of, and the costs involved in, obtaining regulatory approvals for our product candidates and companion diagnostics;
- the cost of commercialization activities, including marketing and distribution costs;
- the cost of manufacturing any of our product candidates we successfully commercialize;
- the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing patent claims, including litigation costs and outcome of such litigation; and
- the timing, receipt and amount of sales, if any, of our product candidates.

#### **Contractual Obligations and Commitments**

For a discussion of our contractual obligations, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2017 Annual Report on Form 10-K. Other than the milestone payment to Pfizer triggered on April 6, 2018 upon the FDA’s approval of our sNDA for Rubraca as maintenance treatment of adult patients with recurrent epithelial ovarian, fallopian tube, or primary peritoneal cancer who are in a complete or partial response to platinum-based chemotherapy, there have not been any material changes to such contractual obligations or potential milestone payments since December 31, 2017. For further information regarding our contractual obligations and commitments, see Note 14, *Commitments and Contingencies* to our unaudited consolidated financial statements included elsewhere in this report.

#### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to market risk related to changes in interest rates. As of June 30, 2018, we had cash, cash equivalents and available-for-sale securities of \$682.2 million, consisting of bank demand deposits, money market funds and U.S. treasury securities. The primary objectives of our investment policy are to preserve principal and maintain proper liquidity to meet operating needs. Our investment policy specifies credit quality standards for our investments and limits the amount of credit exposure to any single issue, issuer or type of investment. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because our investments are in short-term securities. Our available-for-sale securities are subject to interest rate risk and will decline in value if market interest rates increase. Due to the short-term duration of our investment portfolio and the low risk profile of our investments, an immediate 100 basis point change in interest rates would not have a material effect on the fair value of our portfolio.

We contract with contract research organizations, investigational sites and contract manufacturers globally where payments are made in currencies other than the U.S. dollar. In addition, on October 3, 2016, we entered into a Manufacturing and Services Agreement with a Swiss company for the production and supply of the active ingredient for Rubraca. Under the terms of this agreement, payments for the supply of the active ingredient in Rubraca as well as scheduled capital program fee payment toward capital equipment and other costs associated with the construction of a dedicated production train will be made in Swiss francs. Once the production facility is operational, we are obligated to pay a fixed facility fee each quarter for the duration of the agreement, which expires on December 31, 2025.

As of June 30, 2018, \$147.8 million of purchase commitments exist under the Swiss Manufacturing and Services Agreement and we are required to remit amounts due in Swiss francs. Due to other variables that may exist, it is difficult to quantify the impact of a particular change in exchange rates. However, we estimate that if the value of the US dollar was to strengthen by 10% compared to the value of Swiss franc as of June 30, 2018, it would decrease the total US dollar purchase commitment under the Swiss Manufacturing and Services Agreement by \$16.0 million. Similarly, a 10% weakening of the US dollar compared to the Swiss franc would increase the total US dollar purchase commitment by \$13.3 million.

While we periodically hold foreign currencies, primarily Euro, Swiss Franc and Pound Sterling, we do not use other financial instruments to hedge our foreign exchange risk. Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. As of both June 30, 2018 and December 31, 2017, approximately 1% of our total liabilities were denominated in currencies other than the functional currency.

**ITEM 4. CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended (“Exchange Act”) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer and the Principal Financial and Accounting Officer, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective. With the participation of our Chief Executive Officer and Principal Financial and Accounting Officer, management performed an evaluation as of June 30, 2018 of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on this evaluation, our Chief Executive Officer and Principal Financial and Accounting Officer concluded that, as of June 30, 2018, our disclosure controls and procedures were effective at the reasonable assurance level.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

#### *Rociletinib-Related Litigation*

Following Clovis' regulatory announcement in November 2015 of adverse developments in its ongoing clinical trials for rociletinib, Clovis and certain of its current and former executives were named in various securities lawsuits, the largest of which was a putative class action lawsuit in the District of Colorado (the "Medina Action") which was settled on October 26, 2017 (the "Medina Settlement"). The open actions currently pending against Clovis are discussed below.

On November 10, 2016, Antipodean Domestic Partners ("Antipodean") filed a complaint (the "Antipodean Complaint") against Clovis and certain of its officers, directors and underwriters in New York Supreme Court, County of New York. The Antipodean Complaint alleges that the defendants violated certain sections of the Securities Act by making allegedly false statements to Antipodean and in the offering materials for the July 2015 Offering relating to the efficacy of rociletinib, its safety profile, and its prospects for market success. In addition to the Securities Act claims, the Antipodean Complaint also asserts Colorado state law claims and common law claims. Both the state law and common law claims are based on allegedly false and misleading statements regarding rociletinib's progress toward FDA approval. The Antipodean Complaint seeks compensatory, recessionary, and punitive damages. On December 15, 2016, the Antipodean Plaintiffs filed an amended complaint (the "Antipodean Amended Complaint") asserting substantially the same claims against the same defendants and purporting to correct certain details in the original Antipodean Complaint.

On January 31, 2017, the defendants filed a motion to stay the Antipodean action pending resolution of the Medina Action in the District of Colorado. On March 14, 2017, the Clovis defendants and Antipodean participated in a mediation, which did not result in a settlement.

On March 29, 2017, the defendants filed a motion to dismiss the Antipodean Amended Complaint. On August 8, 2017, Justice Masley of the New York Supreme Court, County of New York granted the defendants' motion to stay. Per the Court's August 10, 2017 order, the defendants' motion to dismiss was held in abeyance and deemed submitted on November 1, 2017. On November 1, 2017, the defendants provided a status update to the Court regarding the outcome of the hearing. The update informed the Court that Antipodean had excluded itself from the Medina Settlement, as memorialized in the final judgment entered by the Medina Court.

On April 17, 2018, the parties participated in a Preliminary Conference, following which the Court entered a preliminary conference order, providing for, among other things, an end date for discovery of February 4, 2019.

On May 2, 2018, the Court issued an order denying the defendants' motion to dismiss. Defendants filed an answer to the Antipodean Amended Complaint on June 6, 2018.

The Company intends to vigorously defend against the allegations in the Antipodean Amended Complaint. However, there can be no assurance that the defense will be successful.

In March 2017, two putative shareholders of the Company, Macalinao and McKenry (the "Derivative Plaintiffs"), filed shareholder derivative complaints against certain directors and officers of the Company in the Court of Chancery of the State of Delaware. On May 4, 2017, the Macalinao and McKenry actions were consolidated for all purposes in a single proceeding under the caption *In re Clovis Oncology, Inc. Derivative Litigation*, Case No. 2017-0222 (the "Consolidated Derivative Action").

On May 18, 2017, the Derivative Plaintiffs filed a Consolidated Verified Shareholder Derivative Complaint (the "Consolidated Derivative Complaint"). The Consolidated Derivative Complaint generally alleged that the defendants breached their fiduciary duties owed to the Company by allegedly causing or allowing misrepresentations of the Company's business operations and prospects, failing to ensure that the TIGER-X clinical trial was being conducted in accordance with applicable rules, regulations and protocols, and engaging in insider trading. The Consolidated Derivative Complaint purported to rely on documents produced by the Company in response to prior demands for inspection of the Company's books and records served on the Company by each of Macalinao and McKenry under 8 Del. C. § 220. The Consolidated Derivative Complaint sought, among other things, an award of money damages.

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On July 31, 2017, the defendants filed a motion to dismiss the Consolidated Derivative Complaint. Plaintiffs filed an opposition to the motion to dismiss on August 31, 2017, and the defendants filed a reply in further support of the motion to dismiss on September 26, 2017. Oral argument on the defendants' motion to dismiss the Consolidated Derivative Complaint has been scheduled for February 4, 2019.

The Company intends to vigorously defend against the allegations in the Consolidated Derivative Complaint, but there can be no assurance that the defense will be successful.

On March 20, 2017, a purported shareholder of the Company, filed a shareholder derivative complaint (the "Guo Complaint") against certain officers and directors of the Company in the United States District Court for the District of Colorado. The Guo Complaint generally alleged that the defendants breached their fiduciary duties owed to the Company by either recklessly or with gross negligence approving or permitting misrepresentations of the Company's business operations and prospects. The Guo Complaint also alleged claims for waste of corporate assets and unjust enrichment. Finally, the Guo Complaint alleged that certain of the individual defendants violated Section 14(a) of the Securities Exchange Act, by allegedly negligently issuing, causing to be issued, and participating in the issuance of materially misleading statements to stockholders in the Company's Proxy Statement on Schedule DEF 14A in connection with the 2015 Annual Meeting of Stockholders, held on June 11, 2015. The Guo Complaint sought, among other things, an award of money damages.

On June 19, 2017, the parties filed a joint motion to stay the Guo action pending resolution of the motion to dismiss the Consolidated Derivative Complaint. On June 20, 2017, the court granted the motion to stay.

The Company intends to vigorously defend against the allegations in the Guo Complaint, but there can be no assurance that the defense will be successful.

As previously disclosed, the Company has received inquiries and requests for information from governmental agencies, including the U.S. Securities and Exchange Commission ("SEC") and the U.S. Department of Justice, relating to the Company's regulatory update announcement in November 2015 that the FDA requested additional clinical data on the efficacy and safety of rociletinib. On April 9, 2018, the Company received a "Wells Notice" letter from the staff of the SEC issued in connection with this investigation. In addition, the Company's CEO, Patrick Mahaffy, also received a Wells notice. These Wells Notices advised that the staff had made a preliminary determination to recommend to the SEC that it file an action against the Company and Mr. Mahaffy regarding possible violations of the federal securities laws. The Company and Mr. Mahaffy then submitted Wells Submissions explaining their view that no enforcement action was warranted to the SEC staff.

Following these submissions, the Company and Mr. Mahaffy then engaged in discussions with the SEC staff to resolve this matter. The Company has now reached an agreement in principle with the SEC staff to settle this matter on negligence-based charges. Pursuant to the proposed settlement, without admitting or denying the SEC's allegations, the Company would agree to pay a \$20.0 million civil penalty, which the Company reserved as a loss contingency on its consolidated balance sheet as of June 30, 2018, and would stipulate to a standard injunction against future violations of those provisions of the federal securities laws. Mr. Mahaffy has separately reached an agreement in principle with the SEC staff on similar negligence-based allegations, to which he would neither admit nor deny, and pay a civil penalty and be similarly enjoined. Mr. Mahaffy will continue to serve as the Company's Chief Executive Officer and as a member of the Company's Board of Directors.

The proposed settlements would not allege that the Company or any of its current or former officers engaged in any intentional fraud or misconduct. The proposed settlements are subject to approval by the SEC and will also require approval by the United States District Court where the settlements are ultimately filed. There can be no assurances that the proposed settlements ultimately will be approved on these terms by either the SEC or the court, or when the settlements will be finalized. Once finalized, the settlements will resolve the SEC's nearly three year investigation into the regulatory approval process of rociletinib.

*Director Compensation Litigation*

On May 10, 2017, John Solak, a purported shareholder of the Company, filed a shareholder derivative complaint in the Court of Chancery of the State of Delaware (the “Solak Complaint”) against certain directors and an officer of the Company. The Solak Complaint generally alleged that the defendants breached their fiduciary duties owed to the Company by adopting a compensation plan that overcompensated the non-employee director defendants, in relation to companies of comparable market capitalization and size. The Solak Complaint also alleged claims of waste of corporate assets and unjust enrichment. The Solak Complaint sought, among other things, an award of money damages and the imposition of corporate governance reforms.

On February 26, 2018, the defendants entered into a stipulation of compromise and settlement with plaintiff that was intended to settle the Solak action. On May 30, 2018, the Court approved the stipulation upon the conclusion of a settlement hearing concerning the fairness of the terms of the proposed settlement. In accordance with the terms of the settlement, as incorporated by reference in the Court’s Order and Final Judgment entered on the day of the hearing, the Company presented a new non-employee director compensation policy for shareholder vote at its 2018 annual shareholder meeting. Pursuant to the settlement, the Company is also instituting a number of corporate governance reforms, including, enhanced proxy disclosures, the codification of the Company’s stock ownership guidelines for directors, and enhanced disclosure requirements for certain forms of director compensation. While no cash payments were made to investors as part of the settlement, the court awarded a plaintiff’s fee of \$395,000, which the Company paid on June 4, 2018. The settlement contained no admission of wrongdoing.

*European Patent Opposition*

Two oppositions were filed in the granted European counterpart of the rucaparib camsylate salt/polymorph patent on June 20, 2017. The grounds of opposition related to Rubraca were lack of novelty and lack of inventive step. A preliminary opinion and summons to oral proceedings were issued on April 4, 2018. The oral hearing is scheduled for December 4, 2018. The preliminary opinion provides a non-binding indication of the tribunal’s view. In the preliminary opinion, the tribunal agree with some of our positions and agree with certain objections made by the opponents. As part of the proceeding, we have the opportunity to submit further argument and pursue alternative claims in the form of auxiliary requests. While the ultimate results of patent challenges can be difficult to predict, we believe a number of factors, including a constellation of unexpected properties, support the novelty and non-obviousness of our rucaparib camsylate salt/polymorph composition of matter patent.

**ITEM 1A. RISK FACTORS**

Our business faces significant risks and uncertainties. Certain factors may have a material adverse effect on our business prospects, financial condition and results of operations, and you should carefully consider them. Accordingly, in evaluating our business, we encourage you to consider the risk factors described under the heading “Risk Factors” in Part I, Item 1A of our most recent Annual Report on Form 10-K as supplemented by our Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, in addition to other information contained in or incorporated by reference into this Quarterly Report on Form 10-Q and our other public filings with the SEC. Other events that we do not currently anticipate or that we currently deem immaterial may also affect our business, prospects, financial condition and results of operations.

There have no material changes to the risk factors included in our previously filed Annual Report on Form 10-K for the year ended December 31, 2017 as supplemented by our Quarterly Report on Form 10-Q for the quarter ended March 31, 2018. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial also may negatively impact our business.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

**INDEX TO EXHIBITS**

<b>Exhibit Number</b>	<b>Exhibit Description</b>
3.1(5)	<a href="#">Amended and Restated Certificate of Incorporation of Clovis Oncology, Inc.</a>
3.2(5)	<a href="#">Amended and Restated Bylaws of Clovis Oncology, Inc.</a>
4.1(3)	<a href="#">Form of Common Stock Certificate of Clovis Oncology, Inc.</a>
4.2(8)	<a href="#">Indenture dated as of September 9, 2014, by and between Clovis Oncology, Inc. and The Bank of New York Mellon Trust Company, N.A.</a>
4.3(16)	<a href="#">Indenture dated as of April 19, 2018, by and between Clovis Oncology, Inc. and The Bank of New York Mellon Trust Company, N.A., as Trustee</a>
4.4(16)	<a href="#">First Supplemental Indenture dated as of April 19, 2018, by and between Clovis Oncology, Inc. and The Bank of New York Mellon Trust Company, N.A.</a>
10.1*(4)	<a href="#">Amended and Restated Strategic License Agreement, dated as of June 16, 2011, by and between Clovis Oncology, Inc. and Avila Therapeutics, Inc.</a>
10.2*(4)	<a href="#">License Agreement, dated as of June 2, 2011, by and between Clovis Oncology, Inc. and Pfizer Inc.</a>
10.3+(1)	<a href="#">Clovis Oncology, Inc. 2009 Equity Incentive Plan.</a>
10.4+(4)	<a href="#">Clovis Oncology, Inc. 2011 Stock Incentive Plan.</a>
10.5+(1)	<a href="#">Form of Clovis Oncology, Inc. 2009 Equity Incentive Plan Stock Option Agreement.</a>
10.6+(4)	<a href="#">Form of Clovis Oncology, Inc. 2011 Stock Incentive Plan Stock Option Agreement.</a>
10.7+(3)	<a href="#">Employment Agreement, dated as of August 24, 2011, between Clovis Oncology, Inc. and Patrick J. Mahaffy.</a>
10.8+(3)	<a href="#">Employment Agreement, dated as of August 24, 2011, between Clovis Oncology, Inc. and Gillian C. Ivers-Read.</a>
10.9+(1)	<a href="#">Indemnification Agreement, dated as of May 15, 2009, between Clovis Oncology, Inc. and Paul Klingenstein.</a>
10.10+(1)	<a href="#">Indemnification Agreement, dated as of May 15, 2009, between Clovis Oncology, Inc. and James C. Blair.</a>
10.11+(1)	<a href="#">Indemnification Agreement, dated as of May 15, 2009, between Clovis Oncology, Inc. and Edward J. McKinley.</a>

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- 10.12+(1) [Indemnification Agreement, dated as of May 15, 2009, between Clovis Oncology, Inc. and Thorlef Spickschen.](#)
- 10.13+(1) [Indemnification Agreement, dated as of May 15, 2009, between Clovis Oncology, Inc. and M. James Barrett.](#)
- 10.14+(1) [Indemnification Agreement, dated as of May 15, 2009, between Clovis Oncology, Inc. and Brian G. Atwood.](#)
- 10.15+(1) [Indemnification Agreement, dated as of May 12, 2009, between Clovis Oncology, Inc. and Patrick J. Mahaffy.](#)
- 10.16+(1) [Indemnification Agreement, dated as of May 12, 2009, between Clovis Oncology, Inc. and Erle T. Mast.](#)
- 10.17+(1) [Indemnification Agreement, dated as of May 12, 2009, between Clovis Oncology, Inc. and Gillian C. Ivers-Read.](#)
- 10.18+(1) [Indemnification Agreement, dated as of May 12, 2009, between Clovis Oncology, Inc. and Andrew R. Allen.](#)
- 10.19+ [Clovis Oncology, Inc. 2011 Employee Stock Purchase Plan, as amended.](#)
- 10.20+(4) [Clovis Oncology, Inc. 2011 Cash Bonus Plan.](#)
- 10.21+(6) [Indemnification Agreement, dated as of March 22, 2012, between Clovis Oncology, Inc. and Steven L. Hoerter.](#)
- 10.22+(2) [Indemnification Agreement, dated as of June 13, 2013, between Clovis Oncology, Inc. and Ginger L. Graham.](#)
- 10.23+(2) [Indemnification Agreement, dated as of June 13, 2013, between Clovis Oncology, Inc. and Keith Flaherty.](#)
- 10.24(7) [Stock Purchase Agreement, dated as of November 19, 2013, by and among the Company, EOS, the Sellers listed on Exhibit A thereto and Sofinnova Capital V FCPR, acting in its capacity as the Sellers' Representative.](#)
- 10.25\*(7) [Development and Commercialization Agreement, dated as of October 24, 2008, by and between Advenchen Laboratories LLC and Ethical Oncology Science S.p.A., as amended by the First Amendment, dated as of April 13, 2010 and the Second Amendment, dated as of July 30, 2012.](#)
- 10.26+(12) [Indemnification Agreement, effective as of August 3, 2015, by and between Clovis Oncology, Inc. and Lindsey Rolfe.](#)
- 10.27+(12) [Employment Agreement, dated as of February 25, 2016, by and between Clovis Oncology, Inc. and Lindsey Rolfe.](#)
- 10.28+(12) [Indemnification Agreement, effective as of February 1, 2016, by and between Clovis Oncology, Inc. and Dale Hooks.](#)
- 10.29+(12) [Employment Agreement, effective as of February 1, 2016, by and between Clovis Oncology, Inc. and Dale Hooks.](#)
- 10.30+(9) [Indemnification Agreement, dated as of February 17, 2016, by and between Clovis Oncology, Inc. and Daniel W. Muehl.](#)

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- 10.31+(15) [Employment Agreement, dated as of July 6, 2017, by and between Clovis Oncology, Inc. and Daniel W. Muehl.](#)
- 10.32+(10) [Salary Waiver Letter, dated as of May 9, 2016, by and between Clovis Oncology, Inc. and Patrick J. Mahaffy.](#)
- 10.33\*(11) [First Amendment to License Agreement, by and between Clovis Oncology, Inc. and Pfizer Inc., dated as of August 30, 2016.](#)
- 10.34+(13) [Form of Clovis Oncology, Inc. 2011 Stock Incentive Plan RSU Agreement.](#)
- 10.35\*(13) [Manufacturing Services Agreement, by and between Clovis Oncology, Inc. and Lonza Ltd, dated as of October 3, 2016.](#)
- 10.36\*(14) [Strata Trial Collaboration Agreement, by and between Clovis Oncology, Inc. and Strata Oncology, Inc., dated as of January 30, 2017](#)
- 21.1 [List of Subsidiaries of Clovis Oncology, Inc.](#)
- 31.1 [Certification of principal executive officer pursuant to Rule 13a-14\(a\)/15d-14\(a\) of the Securities Exchange Act of 1934, as amended.](#)
- 31.2 [Certification of principal financial officer pursuant to Rule 13a-14\(a\)/15d-14\(a\) of the Securities Exchange Act of 1934, as amended.](#)
- 32.1 [Certification of principal executive officer pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certification of principal financial officer pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101 The following materials from Clovis Oncology, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Operations and Comprehensive Loss, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Cash Flows and (iv) Notes to Unaudited Consolidated Financial Statements.
- (1) Filed as an exhibit with the Registrant's Registration Statement on Form S-1 (File No. 333-175080) on June 23, 2011.
- (2) Filed as an exhibit with the Registrant's Current Report on Form 8-K (File No. 001-35347) on June 14, 2013.
- (3) Filed as an exhibit with Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (File No. 333-175080) on August 31, 2011.
- (4) Filed as an exhibit with Amendment No. 3 to the Registrant's Registration Statement on Form S-1 (File No. 333-175080) on October 31, 2011.
- (5) Filed as an exhibit with the Registrant's Annual Report on Form 10-K on March 15, 2012.
- (6) Filed as an exhibit with the Registrant's Registration Statement on Form S-1 (File No. 333-180293) on March 23, 2012.
- (7) Filed as an exhibit with the Registrant's Current Report on Form 8-K (File No. 001-35347) on November 19, 2013.
- (8) Filed as an exhibit with the Registrant's Current Report on Form 8-K (File No. 001-35347) on September 9, 2014.
- (9) Filed as an exhibit with the Registrant's Current Report on Form 8-K (File No. 001-35347) on April 1, 2016.
- (10) Filed as an exhibit with the Registrant's Quarterly Report on Form 10-Q on May 9, 2016.
- (11) Filed as an exhibit with the Registrant's Quarterly Report on Form 10-Q on November 4, 2016.
- (12) Filed as an exhibit with the Registrant's Annual Report on Form 10-K on February 29, 2016.
- (13) Filed as an exhibit with the Registrant's Annual Report on Form 10-K on February 23, 2017.
- (14) Filed as an exhibit with the Registrant's Quarterly Report on Form 10-Q on May 4, 2017.
- (15) Filed as an exhibit with the Registrant's Current Report on Form 8-K (File No. 001-35347) on July 7, 2017.

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(16) Filed as an exhibit with the Registrant's Current Report on Form 8-K (File No. 001-35347) on April 19, 2018.

+ Indicates management contract or compensatory plan.

\* Confidential treatment has been granted with respect to portions of this exhibit, which portions have been omitted and filed separately with the Securities and Exchange Commission.

**SIGNATURES**

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

Date: August 2, 2018

**CLOVIS ONCOLOGY, INC.**

By: /s/ PATRICK J. MAHAFFY  
Patrick J. Mahaffy  
President and Chief Executive Officer; Director

By: /s/ DANIEL W. MUEHL  
Daniel W. Muehl  
Senior Vice President of Finance and Principal Financial  
and Accounting Officer

**CLOVIS ONCOLOGY, INC.**  
**2011 EMPLOYEE STOCK PURCHASE PLAN**

1. Purpose. This Clovis Oncology, Inc. 2011 Employee Stock Purchase Plan (the “Plan”) is intended to advance the interests of Clovis Oncology, Inc., a Delaware corporation (the “Company”), and its stockholders by providing Eligible Employees of the Company and each Designated Subsidiary with opportunities to acquire shares of Stock on favorable terms through payroll deductions. The Plan is intended to qualify as an “employee stock purchase plan” under Section 423 of the Internal Revenue Code of 1986, as amended (the “Code”), and will be construed so as to extend and limit participation in a manner consistent with the requirements of Section 423 of the Code. The Plan shall become effective as of the Effective Date, *provided, however*, that no Offering Period shall commence under this Plan until the IPO Effective Date.

2. Definitions. For purposes of the Plan, the following terms shall be defined as set forth below:

(a) “Board” shall mean the Board of Directors of the Company.

(b) “Committee” shall mean the Compensation Committee of the Board or a subcommittee thereof consisting solely of not less than two members of the Board who are “non-employee directors” within the meaning of Rule 16b-3 under the Exchange Act.

(c) “Company Group” shall mean the Company, together with each Designated Subsidiary.

(d) “Compensation” shall mean all regular straight-time earnings, including amounts that would have constituted compensation but for a Participant’s election to defer or reduce compensation pursuant to any deferred compensation, cafeteria, capital accumulation or any other similar plan of the Company and excluding all other amounts such as amounts attributable to overtime, shift premium, incentive compensation, commissions, and bonuses (except to the extent that the inclusion of any such item is specifically directed by the Committee), determined in a manner consistent with the requirements of Section 423 of the Code.

(e) “Designated Subsidiary” shall mean a Subsidiary that has been designated by the Board from time to time, in its sole discretion, as eligible to participate in the Plan.

(f) “Effective Date” means the later of (i) the date on which the Board adopts the Plan, and (ii) the date on which the Plan is approved by the Company’s shareholders.

(g) “Eligible Employee” shall mean an Employee of the Company or a Designated Subsidiary (i) who would not, immediately after an option is granted to him hereunder, own shares possessing five percent (5%) or more of the total combined voting power or value of all classes of shares of the Company or any Subsidiary (as determined under Section 423(b)(3) of the Code); (ii) whose customary employment is for more than twenty (20) hours per week; and (iii) whose customary employment is for more than five (5) months in any calendar year. For purposes of clause (i) of this subsection (f), the rules of Section 424(d) of the Code with regard to the attribution of share ownership shall apply in determining the share ownership of an individual, and shares which an Employee may purchase under outstanding options shall be treated as shares owned by the Employee. Notwithstanding anything herein to the contrary, Employees who are citizens or residents of a foreign jurisdiction (without regard to whether they are citizens of the United States or resident aliens (within the meaning of Section 7701(b)(1)(A) of the Code)) shall not be considered Eligible Employees for purposes of the Plan if (x) the grant of an option hereunder or any Offering to a citizen or foreign resident of such foreign jurisdiction is prohibited by the laws of such jurisdiction, or (y) compliance with the laws of such foreign jurisdiction would cause the Plan or any Offering to violate the requirements of Section 423 of the Code.

(h) “Employee” shall mean any person, including an officer, who renders services to the Company or a Designated Subsidiary in the status of an employee within the meaning of Section 3401(c) of the Code. “Employee” shall not include any director of the Company or a Designated Subsidiary who does not render services to the Company or a Designated Subsidiary in the status of an employee within the meaning of Section 3401(c) of the Code. For purposes of the Plan, the employment relationship shall be treated as continuing intact while the individual is on sick leave or other leave of absence approved by the Company or Designated Subsidiary and meeting the requirements of Treasury Regulation Section 1.421-7(h)(2). Where the period of leave exceeds ninety (90) days and the individual’s right to reemployment is not guaranteed either by statute or by contract, the employment relationship shall be deemed to have terminated on the ninety first (91<sup>st</sup>) day of such leave.

(i) “Employer” shall mean, with respect to a Participant, the member of the Company Group by which the Participant is principally employed.

(j) “Enrollment Date” shall mean the first Trading Day of each Offering Period.

(k) “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

(l) “Exercise Date” shall mean the last Trading Day of each Offering Period.

(m) “Fair Market Value” shall mean, with respect to the Stock, as of any date: (i) the closing sale price of the Stock as of such date at the end of the regular trading session, as reported by the Nasdaq Stock Market, the New York Stock Exchange, the American Stock Exchange or any national securities exchange on which the Stock is then listed or quoted (or, if no shares were traded on such date, as of the next preceding date on which there was such a trade); (ii) if the Stock is not so listed, admitted to unlisted trading privileges, or reported on any national securities exchange, the closing sale price as of such date at the end of the regular trading session, as reported by the OTC Bulletin Board or the Pink Sheets, LLC, or other comparable service (or, if no shares were traded or quoted on such date, as of the next preceding date on which there was such a trade or quote); or (iii) if the Stock is not so listed or reported, such price as the Committee determines in its sole discretion in a manner acceptable under Section 423 of the Code.

(n) “IPO” shall mean an initial underwritten public offering of the Company’s equity securities pursuant to an effective Form S-1 registration statement filed under the Securities Act.

(o) “IPO Effective Date” shall mean the effective date of an IPO.

(p) “Offering” means any of the offerings to Participants of options to purchase Stock under the Plan, as described in Section 4 below.

(q) “Participant” shall mean an Eligible Employee who participates in the Plan pursuant to Section 5 hereof.

(r) “Purchase Price” shall mean the lesser of (i) eighty five percent (85%) of the Fair Market Value of one share of Stock on the Exercise Date, and (ii) eighty five percent (85%) of the Fair Market Value of one share of Stock on the Enrollment Date; *provided, however*, that the Purchase Price may be adjusted by the Committee pursuant to Section 19 hereof, *provided, further*, that the Purchase Price shall not be less than the par value of one share of Stock.

(s) “Securities Act” shall mean the Securities Act of 1933, as amended.

(t) “Stock” shall mean the Company’s common stock, par value \$0.001 per share, or the number and kind of shares of stock or other securities into which such shares of common stock may be changed in accordance with Section 13 of the Plan.

(u) "Subsidiary" shall mean any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code.

(v) "Trading Day" shall mean a day on which the principal exchange on which the Stock is traded is open for trading.

### 3. Eligibility.

(a) Any Employee who is an Eligible Employee on the Enrollment Date for an Offering Period (as defined in Section 4 below) shall be eligible to participate in the Plan during such Offering Period, subject to the requirements of Section 3(b) hereof and the limitations imposed by Section 423(b) of the Code.

(b) No Eligible Employee shall be granted an option under the Plan if the amount of payroll deductions that the Eligible Employee has elected to have withheld under such option (pursuant to Section 5 below) would permit the Eligible Employee to purchase shares of Stock under all "employee stock purchase plans" (within the meaning of Section 423 of the Code) of the Company or any Subsidiary to accrue (*i.e.*, become exercisable) at a rate that exceeds twenty five thousand dollars (\$25,000) of the Fair Market Value of such shares of Stock (determined as of the Enrollment Date) for each calendar year in which such option is outstanding at any time.

4. Offering Periods. Options to purchase shares of Stock shall be offered to Participants under the Plan through a continuous series of Offerings, each continuing for six months and each of which shall commence on January 1 and July 1 of each year, as the case may be, and shall terminate on June 30 and December 31 of such year, as the case may be (each such period being, an "Offering Period"); *provided, however*, that the first Offering Period under the Plan and any subsequent Offering Period commenced immediately after a suspension of the Plan shall have an Enrollment Date and Exercise Date as determined by the Committee in its sole discretion. Offerings under the Plan shall continue until either (a) the Committee decides, in its sole discretion, that no further Offerings shall be made because the Stock remaining available under the Plan is insufficient to make an Offering to all Eligible Employees, or (b) the Plan is terminated under Section 20 below. Notwithstanding the foregoing, and without limiting the authority of the Committee under Section 14, 19 and 20 of the Plan, the Committee, in its sole discretion, may (a) accelerate the Exercise Date of the then current Offering Period and provide for the exercise of options thereunder by Participants in accordance with Section 8 of the Plan, or (b) accelerate the Exercise Date of the then current Offering Period and provide that all payroll deductions credited to the accounts of Participants will be paid to Participants as soon as practicable after such Exercise Date and that all options for such Offering Period will automatically be canceled and will no longer be exercisable, if such change is announced at least five (5) days prior to the newly scheduled Exercise Date. Additionally, notwithstanding anything herein to the contrary, the Committee shall have the power to change the duration of Offering Periods (including the commencement dates thereof) with respect to future offerings without shareholder approval if such change is announced at least twenty-five (25) days prior to the scheduled beginning of the first Offering Period to be affected thereafter.

### 5. Participation.

(a) Each Eligible Employee may become a Participant with respect to any Offering Period by completing a subscription agreement authorizing payroll deductions in a form acceptable to the Committee and filing it with the Company (or its designated third-party stock plan administrator) fifteen (15) business days (or a different number of days as may be determined by the Committee, in its sole discretion) prior to the first day of such Offering Period. A Participant's completion of a subscription agreement with respect to any Offering Period will enroll such Participant in the Plan for each subsequent Offering Period on the terms contained therein until the Participant either submits a new subscription agreement, withdraws from participation under the Plan as provided in Section 10 hereof, or otherwise becomes ineligible to participate in the Plan.

(b) Payroll deductions for a Participant shall commence on the first payday following the Enrollment Date and shall end on the last payday in the Offering Period with respect to which such authorization is applicable, unless sooner terminated by the Participant as provided in Section 10 hereof.

(c) During a Participant's leave of absence approved by his Employer and meeting the requirements of Treasury Regulation Section 1.421-7(h)(2), such Participant may continue to participate in the Plan by making cash payments to the Company on each payday equal to the amount of the Participant's payroll deductions under the Plan for the payday immediately preceding the first day of such Participant's leave of absence. If a leave of absence is unapproved or fails to meet the requirements of Treasury Regulation Section 1.421-7(h)(2), the Participant will automatically cease to participate in the Plan and may not make any further contributions to the Plan hereunder. In such event, the Company will automatically cease to deduct the Participant's payroll under the Plan. The Company will pay to the Participant his total payroll deductions for the Offering Period, in cash in one lump sum (without interest), as soon as practicable after the Participant ceases to participate in the Plan.

(d) The subscription agreement(s) used in connection with the Plan shall be in a form prescribed by the Committee, and the Committee may, in its sole discretion, determine whether such agreement shall be submitted in written or electronic form.

#### 6. Payroll Deductions.

(a) At the time a Participant files his subscription agreement, such Participant shall elect to have payroll deductions made on each payday (such amount to be deducted after any applicable deduction for tax and other withholding) during the Offering Period in an amount from one percent (1%) to ten percent (10%) of the Compensation which he receives on each pay day during the Offering Period.

(b) All payroll deductions made for a Participant shall be credited to his account under the Plan and shall be withheld in whole percentages only. Except as described in Section 5(c) hereof, a Participant may not make any additional payments into such account.

(c) A Participant may discontinue his participation in the Plan as provided in Section 10 hereof, or may increase or decrease the rate of his payroll deductions during the Offering Period by completing or filing with the Company (or its designated third-party stock plan administrator) a new subscription agreement authorizing a change in payroll deduction rate. The Committee may, in its discretion, limit the number of participation rate changes per Participant during any Offering Period. The change in rate shall be effective with the first full payroll period following five business (5) days (or a different number of days as may be determined by the Committee, in its sole discretion) after the Company's (or its designated third-party stock plan administrator's) receipt of the new subscription agreement.

(d) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3(b) hereof, a Participant's payroll deductions may be decreased to zero percent (0%) at any time during an Offering Period.

(e) At the time an option is exercised, in whole or in part, or at the time some or all of the shares of Stock issued under the Plan are disposed of, the Participant must make adequate provision for any federal, state, or other tax obligations, if any, which arise upon the exercise of the option or the disposition of the shares of Stock. At any time, the Company may, but shall not be obligated to, withhold from all of the Participant's compensation the amount necessary for the Company to meet applicable withholding obligations, including any withholding required to make available to the Company any tax deductions or benefits attributable to the sale or early disposition of shares of Stock by the Participant.

7. Grant of Option. On the Enrollment Date of each Offering Period, each Participant in such Offering Period shall be granted an option to purchase on the Exercise Date with respect to such Offering Period (at the applicable Purchase Price) up to a number of the shares of Stock determined by dividing such Participant's payroll deductions accumulated prior to such Exercise Date and retained in the Participant's account as of the Exercise Date by the applicable Purchase Price; *provided, however*, that (i) such purchase shall be subject to the limitations set forth in Sections 3 and 13 hereof, and (ii) in no event may more than 137,932 shares of Stock be purchased by any Participant during any Offering Period. Exercise of the option shall occur as provided in Section 8 hereof, unless the

Participant has withdrawn from participation pursuant to Section 10 hereof or otherwise becomes ineligible to participate in the Plan. The option shall expire on the last day of the Offering Period.

8. Exercise of Option.

(a) Unless a Participant withdraws from the Plan as provided in Section 10 hereof or otherwise becomes ineligible to participate in the Plan, such Participant's option for the purchase of Stock shall be exercised automatically on the Exercise Date, and the maximum number of full shares of Stock subject to the option shall be purchased for such Participant at the applicable Purchase Price with the accumulated payroll deductions in his account. No fractional shares of Stock shall be purchased, and any payroll deductions accumulated in a Participant's account which are not sufficient to purchase a full share of Stock shall be retained in such Participant's account for the subsequent Offering Period. During a Participant's lifetime, a Participant's option to purchase Stock hereunder is exercisable only by him.

(b) If the Committee determines that, on a given Exercise Date, the number of shares of Stock with respect to which options are to be exercised may exceed either (i) the number of shares of Stock that were available for sale under the Plan on the Enrollment Date of the applicable Offering Period (notwithstanding any authorization of additional shares of Stock for issuance under the Plan by the Company's shareholders subsequent to such Enrollment Date); or (ii) the number of shares of Stock available for sale under the Plan on such Exercise Date, the Committee shall provide that the Company (or its designated third-party stock plan administrator) shall make a pro rata allocation of the Stock available for purchase on such Enrollment Date or Exercise Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all Participants exercising options to purchase Stock on such Exercise Date, and shall decide, in its sole discretion, to either (x) continue all Offering Periods then in effect or (y) terminate any or all Offering Periods then in effect pursuant to Section 20 hereof. In the event of such a pro rata allocation of Stock pursuant to this Section 8(b), the balance of the amount credited to the account of each Participant that has not been applied to the purchase of Stock shall be paid to each such Participant in one lump sum in cash as soon as reasonably practicable after the Exercise Date, without any interest thereon.

9. Deposit of Stock. As promptly as practicable after each Exercise Date on which a purchase of Stock occurs, the Company may arrange for the deposit, into each Participant's account with any broker designated by the Company to administer this Plan, of the number of shares of Stock purchased upon exercise of each such Participant's option.

10. Withdrawal.

(a) At any time prior to the Exercise Date, a Participant, by giving written notice to the Company (or its designated third-party stock plan administrator) in a form acceptable to the Committee, may withdraw all but not less than all of the payroll deductions credited to his account and not yet used to exercise an option under the Plan. All of the Participant's payroll deductions credited to his account during the Offering Period, plus any balance retained in his account from a prior Offering Period, if any, shall be paid to such Participant as soon as reasonably practicable after receipt of notice of withdrawal, and such Participant's option for the Offering Period shall be automatically terminated, and no further payroll deductions for the purchase of Stock shall be made for such Offering Period. If a Participant withdraws from an Offering Period, payroll deductions shall not resume at the beginning of any subsequent Offering Period unless the Participant delivers to the Company (or its designated third-party stock plan administrator) a new subscription agreement in accordance with the terms of Section 5(a) hereof.

(b) A Participant's withdrawal from an Offering Period shall not have any effect upon his eligibility to participate in any similar plan which may hereafter be adopted by the Company or in Offering Periods which commence after the termination of the Offering Period from which the Participant withdraws.

11. Termination of Employment. Upon a Participant's ceasing to be an Eligible Employee, for any reason, such Participant shall be deemed to have elected to withdraw from the Plan, and the payroll deductions credited to such Participant's account during the Offering Period, plus any balance retained in his account from a prior Offering

Period, if any, shall be paid to him, or in the case of his death, to the person or persons entitled thereto under Section 15 hereof, as soon as reasonably practicable, and such Participant's option for the Offering Period shall be automatically terminated.

12. Interest. No interest shall accrue on the payroll deductions or lump sum contributions of a Participant in the Plan.

13. Stock Subject to Plan.

(a) Subject to adjustment upon changes in capitalization of the Company as provided in Section 19 hereof, the number of shares of Stock reserved and available for delivery under the Plan shall equal 189,656, as the same may, at the discretion of the Board, be increased annually on the date of each annual meeting of the Company's stockholders by an amount of shares equal to the lowest of (A) the number of shares representing one percent (1%) of the Company's outstanding shares of Stock on such date, (B) 344,828 shares, and (C) such lesser number of shares as determined by the Board. If any option granted under the Plan shall for any reason terminate without having been exercised, the shares of Stock not purchased under such option shall again become available for issuance under the Plan. The shares of Stock subject to the Plan may be unissued shares or reacquired shares bought on the market or otherwise.

(b) Except as otherwise provided herein, with respect to Stock subject to an option granted under the Plan, a Participant shall not be deemed to be a shareholder of the Company, and the Participant shall not have any of the rights or privileges of a shareholder, until such Stock has been issued to the Participant or his nominee following exercise of the Participant's option. No adjustments shall be made for dividends (ordinary or extraordinary, whether in cash securities, or other property) or distributions or other rights for which the record date occurs prior to the date of such issuance, except as otherwise expressly provided herein.

14. Administration. The Plan will be administered by the Committee. To the extent consistent with corporate law, the Committee may delegate to any officers of the Company the duties, power and authority of the Committee under the Plan pursuant to such conditions or limitations as the Committee may establish; *provided, however*, that only the Committee may exercise such duties, power and authority with respect to Participants who are subject to Section 16 of the Exchange Act. The Committee may exercise its duties, power and authority under the Plan in its sole discretion without the consent of any Participant or other party, unless the Plan specifically provides otherwise. Each determination, interpretation or other action made or taken by the Committee pursuant to the provisions of the Plan will be final, conclusive and binding for all purposes and on all persons, including, without limitation, the Company, the stockholders of the Company, the Participants and their respective successors-in-interest. No member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any option granted under the Plan.

15. Designation of Beneficiary.

(a) A Participant may file a written designation of a beneficiary who is to receive any Stock and cash, if any, from such Participant's account under the Plan in the event of such Participant's death subsequent to an Exercise Date on which the option is exercised but prior to delivery to such Participant of such Stock and cash. In addition, a Participant may file a written designation of a beneficiary who is to receive any cash from the Participant's account under the Plan in the event of such Participant's death prior to exercise of the option. To the extent required under applicable law, spousal consent shall be required for such designation to be effective if the Participant is married and the designated beneficiary is not the Participant's spouse.

(b) Such beneficiary designation may be changed by the Participant at any time by written notice to the Company. In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participant's death, the Company shall deliver such Stock and/or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company may, in its discretion, deliver such Stock and/or cash to the

spouse or to any one or more dependents or relatives of the Participant, or if no spouse, dependent, or relative is known to the Company, then to such other person as the Company may designate.

16. Transferability. Neither payroll deductions credited to a Participant's account nor any rights with regard to the exercise of an option or to receive Stock under the Plan may be assigned, transferred, pledged, or otherwise disposed of in any way by the Participant (other than by will, the laws of descent and distribution, or as provided in Section 15 hereof). Any such attempt at assignment, transfer, pledge, or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds from an Offering Period in accordance with Section 10 hereof.

17. Use of Funds. All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

18. Reports. Individual accounts shall be maintained for each Participant in the Plan. Statements of account shall be given to Participants following each Offering Period, which statements shall set forth the amounts of payroll deductions, the Purchase Price, the number of shares of Stock purchased, and the remaining cash balance, if any.

19. Adjustments Upon Changes in Capitalization, Merger, Amalgamation, Asset Sale, Dissolution or Liquidation.

(a) Changes in Capitalization. The number of shares of Stock which have been authorized for issuance under the Plan but not yet placed under option, the maximum number of shares of Stock each Participant may purchase in each Offering Period (pursuant to Section 7 hereof), as well as the price per share of Stock and the number of shares of Stock covered by each option under the Plan which has not yet been exercised shall be proportionately adjusted for any increase or decrease in the number of issued shares of Stock resulting from a stock split, reverse stock split, stock dividend, combination, or reclassification of the Stock, or any other increase or decrease in the number of shares of Stock effected without receipt of consideration by the Company; *provided, however,* that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Committee, whose determination in that respect shall be final, binding, and conclusive on all Participants and the Company. Except as expressly provided herein, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Stock subject to an option.

(b) Merger, Amalgamation, Asset Sale, Dissolution or Liquidation. In the event of a proposed merger or amalgamation of the Company with or into another corporation or a proposed sale of all or substantially all of the assets of the Company, each outstanding option shall be assumed or an equivalent option substituted by the successor corporation or a parent or subsidiary of the successor corporation. In the event that the successor corporation or a parent or subsidiary of the successor corporation refuses to assume or substitute for the option, or in the event of the proposed dissolution, or liquidation of the Company, the Offering Period then in progress shall be shortened by the Committee by setting a new Exercise Date (the "New Exercise Date"), which shall occur no later than immediately prior to the effective date of such proposed merger, amalgamation, sale, dissolution or liquidation, as applicable. The Company shall notify each Participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the Participant's option has been changed to the New Exercise Date and that the Participant's option shall be exercised automatically on the New Exercise Date, unless prior to such New Exercise Date the Participant has withdrawn from the Offering Period as provided in Section 10 hereof.

20. Amendment or Termination.

(a) The Board may at any time and for any reason terminate or amend the Plan. Except as provided in Section 19 hereof, no such termination shall affect options previously granted, *provided* that an Offering Period may be terminated by the Board if the Board determines that the termination of the Offering Period or the Plan is in the best interests of the Company and its shareholders. Except as provided in Section 19 hereof and this Section 20, no amendment may make any change in any option theretofore granted which adversely affects the rights of any Participant without the consent of such Participant. To the extent necessary to comply with Section 423 of the Code

(or any successor rule or provision or any other applicable law, regulation, or stock exchange rule), the Company shall obtain shareholder approval of any amendment in such a manner and to such a degree as required.

(b) Without shareholder consent and without regard to whether any Participant's rights may be considered to have been "adversely affected," the Committee shall be entitled to change the Offering Periods (but in no event may an Offering Period have a duration in excess of twenty seven (27) months), limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a Participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Stock for each Participant properly correspond with amounts withheld from the Participant's Compensation, and establish such other limitations or procedures as the Committee determines in its sole discretion advisable which are consistent with the Plan.

(c) In the event the Board determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Board may, in its discretion and, to the extent necessary or desirable, modify, or amend the Plan to reduce or eliminate such financial accounting consequences, including, but not limited to:

(i) altering the Purchase Price for any Offering Period including an Offering Period underway at the time of the change in Purchase Price;

(ii) shortening any Offering Period so that the Offering Period ends on a new Exercise Date, including an Offering Period underway at the time of the Committee action; and

(iii) allocating shares.

Such modifications or amendments shall not require shareholder approval or the consent of any Participants.

21. Notices. All notices or other communications by a Participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

## 22. Conditions to Issuance of Stock.

(a) The Company shall not be required to issue or deliver to a Participant any certificate or certificates for shares of Stock purchased upon the exercise of options prior to fulfillment of all the following conditions:

(i) The admission of such shares of Stock to listing on all stock exchanges, if any, on which the Stock is then listed;

(ii) The obtaining of any approval or other clearance from any state or federal governmental agency which the Committee shall, in its absolute discretion, determine to be necessary or advisable;

(iii) Such Participant's payment to the Company of all amounts which it is required to withhold under federal, state or local law upon exercise of the option; and

(iv) The lapse of such reasonable period of time following the exercise of the option as the Committee may from time to time establish for reasons of administrative convenience.

(b) The obligation of the Company to make a payment of Stock or otherwise shall be subject to all applicable laws, rules and regulations, and to such approvals by governmental agencies as may be required. Notwithstanding any terms or conditions of any option to the contrary, the Company shall be under no obligation to offer to sell or to

sell and shall be prohibited from offering to sell or selling any Stock pursuant to an option unless such Stock has been properly registered for sale with the Securities and Exchange Commission pursuant to the Securities Act or unless the Company has received an opinion of counsel, satisfactory to the Company, that such Stock may be offered or sold without such registration pursuant to an available exemption therefrom and the terms and conditions of such exemption have been fully complied with. The Company shall be under no obligation to register for sale or resale under the Securities Act any of the Stock to be offered or sold under the Plan or any Stock issued upon exercise or settlement of options. If the Stock offered for sale or sold under the Plan is offered or sold pursuant to an exemption from registration under the Securities Act, the Company may restrict the transfer of such Stock and may legend the share certificates representing such Stock in such manner as it deems advisable to ensure the availability of any such exemption.

23. Term of Plan. The Plan shall become effective as of the Effective Date. The Plan shall be deemed to be approved by the Company's shareholders if it receives the affirmative vote of the Company's shareholders in accordance with the by-laws of the Company. Subject to approval by the shareholders of the Company in accordance with this Section 23, the Plan shall be in effect until the tenth (10<sup>th</sup>) anniversary of the date of the initial adoption of the Plan by the Board, unless sooner terminated under Section 20 hereof. In the event the Company's shareholders do not approve this Plan pursuant to this Section 23, neither this Plan nor any elections made hereunder shall be of any force or effect, any outstanding option shall be cancelled for no consideration, and all amounts deducted from each Participant's paycheck shall be repaid to such Participant as soon as practicable without interest.

24. Equal Rights and Privileges. All Eligible Employees will have equal rights and privileges under this Plan so that this Plan qualifies as an "employee stock purchase plan" within the meaning of Section 423 of the Code. Any provision of this Plan that is inconsistent with this requirement to provide equal rights and privileges will, without further act or amendment by the Company, the Board or the Committee, be reformed to comply with the equal rights and privileges requirement of Section 423 of the Code.

25. Section 409A. The options to purchase Stock under the Plan are not intended to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code. However, if at any time the Committee determines that the options may be subject to Section 409A of the Code, the Committee shall have the right, in its sole discretion, to amend the Plan and any outstanding options as it may determine is necessary or desirable either to exempt the options from the application of Section 409A of the Code or to cause the options to comply with the requirements of Section 409A of the Code.

26. No Employment Rights. Nothing in the Plan shall be construed to give any person (including any Eligible Employee or Participant) the right to remain in the employ of the Company or a Subsidiary, or to affect the right of the Company or any Subsidiary to terminate the employment of any person (including any Eligible Employee or Participant) at any time, with or without cause.

27. Notice of Disposition of Stock; Transfer Restrictions. If required by the Company, each Participant shall give prompt notice to the Company (at its local Human Resources office), or cause a designated third-party stock administrator to give prompt notice to the Company, of any disposition or other transfer of any Stock purchased upon exercise of an option hereunder if such disposition or transfer is made either (a) within two (2) years from the Enrollment Date of the Offering Period in which the Stock was purchased or (b) within one (1) year after the Exercise Date on which such Stock was purchased. Such notice shall specify the date of such disposition or other transfer and the amount realized, in cash, other property, assumption of indebtedness, or other consideration, by the Participant in such disposition or other transfer. Notwithstanding anything herein to the contrary, no Participant shall be permitted to dispose of or transfer any Stock purchased pursuant to an option hereunder prior to the date that is twelve (12) months following the date upon which such Stock was so purchased. The Committee may provide, in its sole discretion, that the Stock purchased pursuant to an option hereunder shall be held in book entry form, rather than delivered to the Participant, through the expiration of such twelve (12) month period. If certificates representing the shares of Stock are registered in the name of the Participant, the Committee may require that such certificates bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Stock and that the Company retain physical possession of the certificates.

28. Governing Law. Subject to any applicable provisions of United States federal law (including, without limitation, Section 423(b) of the Code), the validity and enforceability of this Plan shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to otherwise governing principles of conflicts of law.

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**AMENDMENT  
TO THE  
CLOVIS ONCOLOGY, INC.  
2011 EMPLOYEE STOCK PURCHASE PLAN**

**WHEREAS**, Clovis Oncology, Inc. (the "Company") maintains the Clovis Oncology, Inc. 2011 Employee Stock Purchase Plan (the "ESPP"); and

**WHEREAS**, Section 20 of the ESPP authorizes the Board to amend the ESPP at any time without consent if the amendment does not adversely affect the rights of any Participant (as defined in the ESPP); and

**WHEREAS**, the Company now desires to amend the ESPP to remove the transfer restrictions included in Section 27 of the ESPP.

**NOW THEREFORE**, the ESPP is hereby amended as follows:

1. Section 27 of the ESPP is hereby deleted in its entirety and replaced with the following: "27. Notice of Disposition of Stock; Transfer Restrictions. If required by the Company, each Participant shall give prompt notice to the Company (at its local Human Resources office), or cause a designated third-party stock administrator to give prompt notice to the Company, of any disposition or other transfer of any Stock purchased upon exercise of an option hereunder if such disposition or transfer is made either (a) within two (2) years from the Enrollment Date of the Offering Period in which the Stock was purchased or (b) within one (1) year after the Exercise Date on which such Stock was purchased. Such notice shall specify the date of such disposition or other transfer and the amount realized, in cash, other property, assumption of indebtedness, or other consideration, by the Participant in such disposition or other transfer."

2. Capitalized terms used herein but not defined shall have the meaning ascribed to them in the ESPP.

3. To the extent not amended hereby, the ESPP shall continue in full force and effect in accordance with its terms.

4. This amendment shall be governed by, and construed under, the laws of the state of Delaware, and all rights and remedies shall be governed by said laws, without regard to conflict of law principles.

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## List of Subsidiaries of Clovis Oncology, Inc.

Name:	Jurisdiction of Organization:
Clovis Oncology UK Limited	United Kingdom
Clovis Oncology Italy Srl	Italy
Clovis Oncology IT Srl	Italy
Clovis Oncology Switzerland GmbH	Switzerland
Clovis Oncology France SAS	France
Clovis Oncology Spain SL	Spain
Clovis Oncology Germany GmbH	Germany
Clovis Oncology Denmark ApS	Denmark
Clovis Oncology Ireland Limited	Ireland

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I, Patrick J. Mahaffy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Clovis Oncology, Inc. for the quarter ended June 30, 2018;
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(s) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ PATRICK J. MAHAFFY

Patrick J. Mahaffy  
President and Chief Executive Officer

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I, Daniel W. Muehl, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Clovis Oncology, Inc. for the quarter ended June 30, 2018;
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(s) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ DANIEL W. MUEHL

Daniel W. Muehl  
Senior Vice President of Finance and  
Principal Financial and Accounting Officer

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**CERTIFICATIONS PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)**

In connection with the Quarterly Report of Clovis Oncology, Inc., a Delaware corporation (the "Company"), on Form 10-Q for the quarter ended June 30, 2018, as filed with the Securities and Exchange Commission (the "Report"), Patrick J. Mahaffy, as Chief Executive Officer of the Company, does hereby certify, pursuant to §906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that to his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; 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: August 2, 2018

/s/ PATRICK J. MAHAFFY

Patrick J. Mahaffy  
President and Chief Executive Officer

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**CERTIFICATIONS PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)**

In connection with the Quarterly Report of Clovis Oncology, Inc., a Delaware corporation (the "Company"), on Form 10-Q for the quarter ended June 30, 2018, as filed with the Securities and Exchange Commission (the "Report"), Daniel W. Muehl, as Senior Vice President of Finance and Principal Financial and Accounting Officer of the Company, does hereby certify, pursuant to §906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. §1350), that to his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; 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: August 2, 2018

/s/ DANIEL W. MUEHL

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Daniel W. Muehl  
Senior Vice President of Finance and  
Principal Financial and Accounting Officer

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