BRISTOL MYERS SQUIBB CO
Form 10-Q
April 26, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(Mark One)

x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 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: 1-1136

BRISTOL-MYERS SQUIBB COMPANY
(Exact name of registrant as specified in its charter)

| Delaware | 22-0790350 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

345 Park Avenue, New York, N.Y. 10154
(Address of principal executive offices) (Zip Code)

(212) 546-4000
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)
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 the filing requirements for the past 90 days. Yes x 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 x 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 definition of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨ Emerging growth company ¨
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes ¨ No x

APPLICABLE ONLY TO CORPORATE ISSUERS:
At March 31, 2018, there were 1,634,538,458 shares outstanding of the Registrant's $0.10 par value common stock.

BRISTOL-MYERS SQUIBB COMPANY
INDEX TO FORM 10-Q
MARCH 31, 2018

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* Indicates brand names of products which are trademarks not owned by BMS. Specific trademark ownership information is included in the Exhibit Index.

PART I—FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS
BRISTOL-MYERS SQUIBB COMPANY
CONSOLIDATED STATEMENTS OF EARNINGS
Dollars in Millions, Except Per Share Data
(UNAUDITED)

| | Three Months Ended March 31, | |
|---|---|---|
| EARNINGS | 2018 | 2017 |
| Net product sales | $4,972 | $4,580 |
| Alliance and other revenues | 221 | 349 |
| Total Revenues | 5,193 | 4,929 |
| | | |
| Cost of products sold | 1,584 | 1,265 |
| Marketing, selling and administrative | 980 | 1,085 |
| Research and development | 1,250 | 1,303 |
| Other income (net) | (400) | (679) |
| Total Expenses | 3,414 | 2,974 |
| | | |
| Earnings Before Income Taxes | 1,779 | 1,955 |
| Provision for Income Taxes | 284 | 429 |
| Net Earnings | 1,495 | 1,526 |
| Noncontrolling Interest | 9 | (48) |
| Net Earnings Attributable to BMS | $1,486 | $1,574 |
| | | |
| Earnings per Common Share | | |
| Basic | $0.91 | $0.95 |
| Diluted | 0.91 | 0.94 |
| | | |
| Cash dividends declared per common share | $0.40 | $0.39 |

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Dollars in Millions
(UNAUDITED)

| | Three Months Ended March 31, | |
|---|---|---|
| COMPREHENSIVE INCOME | 2018 | 2017 |
| Net Earnings | $1,495 | $1,526 |
| Other Comprehensive Income/(Loss), net of taxes and reclassifications to earnings: | | |
| Derivatives qualifying as cash flow hedges | (19) | (29) |
| Pension and postretirement benefits | 129 | 83 |
| Available-for-sale securities | (26) | 6 |
| Foreign currency translation | 5 | 29 |
| Other Comprehensive Income | 89 | 89 |
| | | |
| Comprehensive Income | 1,584 | 1,615 |

| | | |
|---|---|---|
| Noncontrolling Interest | 9 | (48) |
| Comprehensive Income Attributable to BMS | $1,575 | $1,663 |

The accompanying notes are an integral part of these consolidated financial statements.

BRISTOL-MYERS SQUIBB COMPANY
CONSOLIDATED BALANCE SHEETS
Dollars in Millions
(UNAUDITED)

| ASSETS | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Current Assets: | | |
| Cash and cash equivalents | $ 5,342 | $ 5,421 |
| Marketable securities | 1,428 | 1,391 |
| Receivables | 5,683 | 6,300 |
| Inventories | 1,231 | 1,166 |
| Prepaid expenses and other | 965 | 576 |
| Total Current Assets | 14,649 | 14,854 |
| Property, plant and equipment | 5,060 | 5,001 |
| Goodwill | 6,863 | 6,863 |
| Other intangible assets | 1,116 | 1,210 |
| Deferred income taxes | 1,367 | 1,610 |
| Marketable securities | 2,252 | 2,480 |
| Other assets | 1,776 | 1,533 |
| Total Assets | $ 33,083 | $ 33,551 |
| | | |
| LIABILITIES | | |
| Current Liabilities: | | |
| Short-term debt obligations | $ 1,925 | $ 987 |
| Accounts payable | 1,725 | 2,248 |
| Accrued liabilities | 5,561 | 6,014 |
| Deferred income | 117 | 83 |
| Income taxes payable | 296 | 231 |
| Total Current Liabilities | 9,624 | 9,563 |
| Deferred income | 447 | 454 |
| Income taxes payable | 3,233 | 3,548 |
| Pension and other liabilities | 1,098 | 1,164 |
| Long-term debt | 5,775 | 6,975 |
| Total Liabilities | 20,177 | 21,704 |
| | | |
| Commitments and contingencies | | |
| | | |
| EQUITY | | |
| Bristol-Myers Squibb Company Shareholders' Equity: | | |
| Preferred stock | — | — |
| Common stock | 221 | 221 |
| Capital in excess of par value of stock | 1,916 | 1,898 |
| Accumulated other comprehensive loss | (2,234) | (2,289) |
| Retained earnings | 32,323 | 31,160 |
| Less cost of treasury stock | (19,433) | (19,249) |
| Total Bristol-Myers Squibb Company Shareholders' Equity | 12,793 | 11,741 |
| Noncontrolling interest | 113 | 106 |
| Total Equity | 12,906 | 11,847 |
| Total Liabilities and Equity | $ 33,083 | $ 33,551 |

The accompanying notes are an integral part of these consolidated financial statements.

BRISTOL-MYERS SQUIBB COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Dollars in Millions
(UNAUDITED)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| Cash Flows From Operating Activities: | | |
| Net earnings | $1,495 | $1,526 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization, net | 143 | 193 |
| Deferred income taxes | 160 | (70) |
| Stock-based compensation | 55 | 45 |
| Impairment charges | 80 | 78 |
| Pension settlements and amortization | 50 | 52 |
| Divestiture gains and royalties | (255) | (276) |
| Asset acquisition charges | 60 | — |
| Other adjustments | (29) | 33 |
| Changes in operating assets and liabilities: | | |
| Receivables | 219 | (246) |
| Inventories | (4) | (71) |
| Accounts payable | (241) | (114) |
| Deferred income | 23 | 74 |
| Income taxes payable | 114 | 414 |
| Other | (695) | (777) |
| Net Cash Provided by Operating Activities | 1,175 | 861 |
| Cash Flows From Investing Activities: | | |
| Sale and maturities of marketable securities | 442 | 1,163 |
| Purchase of marketable securities | (285) | (1,204) |
| Capital expenditures | (239) | (291) |
| Divestiture and other proceeds | 375 | 241 |
| Acquisition and other payments | (336) | (112) |
| Net Cash Used in Investing Activities | (43) | (203) |
| Cash Flows From Financing Activities: | | |
| Short-term debt obligations, net | (344) | 192 |
| Issuance of long-term debt | — | 1,488 |
| Repurchase of common stock | (167) | (2,000) |
| Dividends | (653) | (655) |
| Other | (58) | (38) |
| Net Cash Used in Financing Activities | (1,222) | (1,013) |
| Effect of Exchange Rates on Cash and Cash Equivalents | 11 | 28 |
| Decrease in Cash and Cash Equivalents | (79) | (327) |
| Cash and Cash Equivalents at Beginning of Period | 5,421 | 4,237 |
| Cash and Cash Equivalents at End of Period | $5,342 | $3,910 |

The accompanying notes are an integral part of these consolidated financial statements.

Note 1. BASIS OF PRESENTATION AND RECENTLY ISSUED ACCOUNTING STANDARDS

Bristol-Myers Squibb Company prepared these unaudited consolidated financial statements following the requirements of the SEC and U.S. GAAP for interim reporting. Under those rules, certain footnotes and other financial information that are normally required for annual financial statements can be condensed or omitted. The Company is responsible for the consolidated financial statements included in this Quarterly Report on Form 10-Q, which include all adjustments necessary for a fair presentation of the financial position at March 31, 2018 and December 31, 2017 and the results of operations and cash flows for the three months ended March 31, 2018 and 2017. All intercompany balances and transactions have been eliminated. These financial statements and the related notes should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017 included in the 2017 Form 10-K. Refer to the Summary of Abbreviated Terms at the end of this Quarterly Report on Form 10-Q for terms used throughout the document.

Revenues, expenses, assets and liabilities can vary during each quarter of the year. Accordingly, the results and trends in these unaudited consolidated financial statements may not be indicative of full year operating results. The preparation of financial statements requires the use of management estimates, judgments and assumptions. The most significant assumptions are estimates used in determining sales rebate and return accruals; legal contingencies; income taxes; determining if an acquisition or divestiture is a business or an asset; and pension and postretirement benefits. Actual results may differ from estimates.

Recently Adopted Accounting Standards

Revenue from Contracts with Customers
Amended guidance for revenue recognition was adopted in the first quarter of 2018 using the modified retrospective method with the cumulative effect of the change recognized in retained earnings. The new guidance, referred to as ASC 606, requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers and replaces most of the existing revenue recognition standards in U.S. GAAP. A five-step model is utilized to achieve the core principle: (1) identify the customer contract; (2) identify the contract’s performance obligation; (3) determine the transaction price; (4) allocate the transaction price to the performance obligation; and (5) recognize revenue when or as a performance obligation is satisfied.

The timing of recognizing revenue for typical net product sales to our customers will not significantly change. However, transaction prices are no longer required to be fixed or determinable and certain variable consideration might be recognized prior to the occurrence or resolution of the contingent event. As a result, certain revenue previously deferred under the prior standard because the transaction price was not fixed or determinable will be accounted for as variable consideration and might be recognized earlier provided such terms are sufficient to reliably estimate the ultimate price expected to be realized.

Estimated future royalties and contingent fees related to certain alliance arrangements are now recognized prior to the third party sale or event occurring to the extent it is probable that a significant reversal in the amount of estimated cumulative revenue will not occur. The new guidance pertaining to the separation of licensing rights and related fee recognition did not significantly change the timing of recognizing revenue in our existing alliance arrangements that are currently generating revenue. The timing of royalties, sales-based milestones and other forms of contingent consideration resulting from the divestiture of businesses as well as royalties and sales-based royalties from licensing arrangements did not change.

The cumulative effect of the accounting change resulted in recognizing contract assets of $214 million and a $168 million increase in retained earnings net of tax. The cumulative effect was primarily attributed to royalties and licensing rights reacquired by alliance partners that are expected to be received in the future and are not eligible for the

licensing exclusion. As a result of the new guidance and cumulative effect adjustment, revenue was approximately $61 million lower in the three months ended March 31, 2018 compared to what would have been reported under the previous guidance. Refer to "—Note 3. Revenue Recognition" for further information.

Gains and Losses from the Derecognition of Nonfinancial Assets

Amended guidance for gains and losses from the derecognition of nonfinancial assets (ASC 610) was adopted in the first quarter of 2018 using the modified retrospective method. The amendments clarify the scope of asset derecognition guidance, add guidance for partial sales of nonfinancial assets and clarify recognizing gains and losses from the transfer of nonfinancial assets in contracts with noncustomers. Certain transactions such as the sale or out-licensing of product rights that do not constitute a business will require accounting similar to ASC 606 including the potential recognition of variable consideration. The amended guidance may result in earlier recognition of variable consideration depending on the facts and circumstances of each transaction.

The cumulative effect of the accounting change resulted in recognizing contract assets of $167 million and a $130 million increase in retained earnings net of tax. The cumulative effect was primarily attributed to royalties and termination fees for licensing rights reacquired by third parties that are expected to be received in the future and are not eligible for the licensing exclusion. As a result of the new guidance and cumulative effect adjustment, other income (net) was approximately $7 million lower in the three months ended March 31, 2018 compared to what would have been reported under the previous guidance.

Presentation of Net Periodic Pension and Postretirement Benefits

Amended guidance requiring all net periodic benefit components for defined benefit pension and other postretirement plans other than service costs to be recorded outside of income from operations (other income) was adopted in the first quarter of 2018 on a retrospective basis. Cost of products sold; marketing, selling and administrative; and research and development expenses increased in the aggregate with a corresponding offset in other income (net). The service cost component is included in other income (net) as the amounts are not material.

As adjusted amounts upon adoption of the new guidance are as follows:

| | Three Months Ended March 31, 2017 | |
|---|---|---|
| Dollars in Millions | As Previously Reported | As Adjusted |
| Cost of products sold | $1,259 | $ 1,265 |
| Marketing, selling and administrative | 1,074 | 1,085 |
| Research and development | 1,288 | 1,303 |
| Other income (net) | (647) | (679) |

Definition of a Business

Amended guidance which revises the definition of a business was adopted prospectively in the first quarter of 2018. The amendment provides an initial screen that when substantially all of the fair value of the gross assets acquired or disposed of is concentrated in a single identifiable asset or a group of similar identifiable assets, an integrated set of assets and activities would not represent a business. If the screen is not met, the set must include an input and a substantive process that together significantly contributes to the ability to create outputs for the set to represent a business. The amendment also narrows the definition of the term "output" and requires the transfer of an organized work force when outputs do not exist. The amended guidance may result in more transactions being accounted for as assets in the future with the impact to our results of operations dependent on the individual facts and circumstances of each transaction.

Recognition and Measurement of Financial Assets and Liabilities

Amended guidance for the recognition, measurement, presentation and disclosure of financial instruments was adopted using the modified retrospective method in the first quarter of 2018. The new guidance requires that fair value adjustments for equity securities with readily determinable fair values be reported through earnings. The new guidance also requires a qualitative impairment assessment for equity investments without a readily determinable fair value based upon observable price changes and a charge through earnings if an impairment exists. The cumulative effect of the accounting change resulted in a $36 million reduction to other comprehensive income and a corresponding increase to retained earnings ($34 million net of tax). Equity security fair value adjustments of $15

million were recorded in other income (net) for the three months ended March 31, 2018 and additional volatility is expected in future results of operations.

Accounting for Hedging Activities

Amended guidance for derivatives and hedging was adopted using the modified retrospective method in the first quarter of 2018. The amended guidance revises and expands items eligible for hedge accounting, simplifies hedge effectiveness testing and changes the timing of recognition and presentation for certain hedged items. Certain disclosure requirements were also modified for hedging activities on a prospective basis. The adoption of the amended standard did not have a material impact on the Company's results of operations.

Recently Issued Accounting Standards Not Yet Adopted

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

In February 2018, the FASB issued amended guidance on income tax accounting. The amended guidance permits the reclassification of the income tax effect on amounts recorded within other comprehensive income impacted by the Tax Cuts and Jobs Act into retained earnings. The amended guidance is effective for periods ending after December 15, 2018 and applies only to those amounts remaining in Other Comprehensive Income at the date of enactment of the Act. The amended guidance may be adopted on either a retrospective basis or at the beginning of the period of adoption. The Company is assessing the potential impact of the amended standard.

In addition, the following recently issued accounting standards have not been adopted. Refer to the 2017 Form 10-K for additional information and their potential impacts.

| Accounting Standard Update | Effective Date |
|---|---|
| Leases | January 1, 2019 |
| Financial Instruments - Measurement of Credit Losses | January 1, 2020 |
| Goodwill Impairment Testing | January 1, 2020 |

Note 2. BUSINESS SEGMENT INFORMATION

BMS operates in a single segment engaged in the discovery, development, licensing, manufacturing, marketing, distribution and sale of innovative medicines that help patients prevail over serious diseases. A global research and development organization and supply chain organization are responsible for the discovery, development, manufacturing and supply of products. Regional commercial organizations market, distribute and sell the products. The business is also supported by global corporate staff functions. The determination of a single segment is consistent with the financial information regularly reviewed by the chief executive officer for purposes of evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting future periods. For further information on product and regional revenues, see "—Note 3. Revenue Recognition."

Note 3. REVENUE RECOGNITION

The following table summarizes the disaggregation of revenue by nature:

| | Three Months Ended March 31, | |
|---|---|---|
| Dollars in Millions | 2018 | 2017 |
| Net product sales | $4,972 | $4,580 |
| Alliance revenues | 152 | 225 |
| Other revenues | 69 | 124 |
| Total Revenues | $5,193 | $4,929 |

Net product sales represent more than 90% of the Company’s total revenue during the three months ended March 31, 2018 and 2017. Products are sold principally to wholesalers or distributors and to a lesser extent, directly to retailers, hospitals, clinics, government agencies and pharmacies. Customer orders are generally fulfilled within a few days of receipt resulting in minimal order backlog. Contractual performance obligations are usually limited to transfer of control of the product to the customer. The transfer occurs either upon shipment or upon receipt of the product in certain non-U.S. countries after considering when the customer obtains legal title to the product and when the

Company obtains a right of payment. At these points, customers are able to direct the use of and obtain substantially all of the remaining benefits of the product.

Wholesalers are initially invoiced at contractual list prices. Payment terms are typically 30 to 90 days based on customary practices in each country with the exception of certain biologic products in the U.S., including Opdivo, Yervoy and Empliciti (90 days to 120 days). Revenue is reduced from wholesaler list price at the time of recognition for expected charge-backs, discounts, rebates, sales allowances and product returns, which are referred to as gross-to-net adjustments. These reductions are attributed to various commercial arrangements, managed healthcare organizations and government programs such as Medicare, Medicaid and the 340B Drug Pricing Program containing various pricing implications such as mandatory discounts, pricing protection below wholesaler list price or other discounts when Medicare Part D beneficiaries are in the coverage gap. In addition, non-U.S. government programs include different pricing schemes such as cost caps, volume discounts, outcome-based pricing and pricing claw-backs determined on sales of individual companies or an aggregation of companies participating in a specific market. Charge-backs and cash discounts are reflected as a reduction to receivables and settled through the issuance of credits to the customer, typically within one month. All other rebates, discounts and adjustments, including Medicaid and Medicare, are reflected as a liability and settled through cash payments to the customer, typically within various time periods ranging from a few months to one year.

Significant judgment is required in estimating gross-to-net adjustments considering legal interpretations of applicable laws and regulations, historical experience, payer channel mix, current contract prices under applicable programs, unbilled claims, processing time lags and inventory levels in the distribution channel.

The following table summarizes gross-to-net adjustments:

| | Three Months Ended March 31, | |
|---|---|---|
| Dollars in Millions | 2018 | 2017 |
| Gross product sales | $6,701 | $5,862 |
| GTN adjustments [(a)] | | |
| Charge-backs and cash discounts | (583) | (438) |
| Medicaid and Medicare rebates | (557) | (384) |
| Other rebates, returns, discounts and adjustments | (589) | (460) |
| Total GTN adjustments | (1,729) | (1,282) |
| Net product sales | $4,972 | $4,580 |

(a) Includes reductions to provisions for product sales made in prior periods resulting from changes in estimates of $50 million and $49 million during the three months ended March 31, 2018 and 2017, respectively.

Alliance and other revenues consist primarily of fees, royalties and supply sales for out-licensing and collaboration arrangements. These arrangements may include the transfer of certain rights to develop or commercialize investigational compounds or products and joint obligations to provide development, distribution, promotion, sales and marketing services and clinical or commercial product supply. Performance obligations are identified and separated when the other party can benefit directly from the rights, goods or services either on their own or together with other readily available resources and when the rights, goods or services are not highly interdependent or interrelated.

Transaction prices for these arrangements may include fixed up-front amounts as well as variable consideration such as contingent development and regulatory milestones, sales-based milestones and royalties. Variable consideration is included in the transaction price only to the extent a significant reversal in the amount of cumulative revenue recognized is not probable of occurring when the uncertainty associated with the variable consideration is subsequently resolved. Significant judgment is required in estimating the amount of variable consideration to recognize when assessing factors outside of BMS's influence such as likelihood of regulatory success, limited availability of third party information, expected duration of time until resolution, lack of relevant past experience, historical practice of offering fee concessions and a large number and broad range of possible amounts. Sales-based

milestones and royalties for licensing arrangements are excluded from this assessment and are only recognized when the underlying sale occurs.

Licensing fees are allocated to each distinct performance obligation on the basis of relative stand-alone selling price and recognized upon the transfer of control which occurs either immediately upon execution of the agreement or over time if combined with other performance obligations such as commercial activities. Licensing fees attributed to commercial products are presented in revenue and fees attributed to investigational compounds are presented in other income (net). Supply sales to alliance partners and other parties in which product rights have been transferred to the counter party are typically distinct and are recognized upon transfer of control. Refer to "—Note 4. Alliances" for further information.

The following table summarizes the disaggregation of revenue by product and region:

| Dollars in Millions | Three Months Ended March 31, 2018 | 2017 |
|---|---|---|
| Prioritized Brands | | |
| Opdivo | $1,511 | $1,127 |
| Eliquis | 1,506 | 1,101 |
| Orencia | 593 | 535 |
| Sprycel | 438 | 463 |
| Yervoy | 249 | 330 |
| Empliciti | 55 | 53 |
| Established Brands | | |
| Baraclude | 225 | 282 |
| Sustiva Franchise | 84 | 184 |
| Reyataz Franchise | 124 | 193 |
| Hepatitis C Franchise | 3 | 162 |
| Other Brands | 405 | 499 |
| Total Revenues | $5,193 | $4,929 |
| | | |
| United States | $2,778 | $2,738 |
| Europe | 1,406 | 1,146 |
| Rest of World | 873 | 925 |
| Other | 136 | 120 |
| Total Revenues | $5,193 | $4,929 |

The following table summarizes contract assets as of March 31, 2018 and January 1, 2018:

| Dollars in Millions | March 31, 2018 | January 1, 2018 |
|---|---|---|
| Prepaid expenses and other | $ 289 | $ 349 |
| Other assets | 32 | 32 |
| Total Contract Assets | $ 321 | $ 381 |

Contract assets are primarily estimated future royalties and termination fees not eligible for the licensing exclusion and therefore recognized upon the adoption of ASC 606 and ASC 610. Contract assets are reduced and receivables are increased in the period the underlying sales occur. Contingent development and regulatory milestones from out-licensing arrangements of $1.1 billion were constrained and not recognized after considering the likelihood of a significant reversal of cumulative amount of revenue occurring. Cumulative catch-up adjustments to revenue affecting contract assets or contract liabilities were not material during the three months ended March 31, 2018. Revenue recognized from performance obligations satisfied in prior periods was approximately $150 million during the three months ended March 31, 2018, consisting primarily of royalties for out-licensing arrangements and revised estimates for gross-to-net adjustments related to prior period sales.

Sales commissions and other incremental costs of obtaining customer contracts are expensed as incurred as the amortization periods would be less than one year.

Note 4. ALLIANCES

BMS enters into collaboration arrangements with third parties for the development and commercialization of certain products. Although each of these arrangements is unique in nature, both parties are active participants in the operating activities of the collaboration and are exposed to significant risks and rewards depending on the commercial success of the activities. BMS may either in-license intellectual property owned by the other party or out-license its intellectual property to the other party. These arrangements also typically include research, development, manufacturing and/or commercial activities and can cover a single investigational compound or commercial product or multiple compounds and/or products in various life cycle stages. The rights and obligations of the parties can be global or limited to geographic regions. We refer to these collaborations as alliances and our partners as alliance partners. Products sold through alliance arrangements in certain markets include prioritized products and certain other brands.

Selected financial information pertaining to our alliances was as follows, including net product sales when BMS is the principal in the third-party customer sale for products subject to the alliance. Expenses summarized below do not include all amounts attributed to the activities for the products in the alliance, but only the payments between the alliance partners or the related amortization if the payments were deferred or capitalized. Certain prior period amounts included below were revised to exclude amounts for arrangements that no longer meet the criteria for collaboration arrangements.

| | Three Months Ended March 31, | |
|---|---|---|
| Dollars in Millions | 2018 | 2017 |
| Revenues from alliances: | | |
| Net product sales | $1,920 | $1,564 |
| Alliance revenues | 152 | 225 |
| Total Revenues | $2,072 | $1,789 |
| | | |
| Payments to/(from) alliance partners: | | |
| Cost of products sold | $799 | $621 |
| Marketing, selling and administrative | (22) | (10) |
| Research and development | 5 | — |
| Other income (net) | (14) | (11) |

Selected Alliance Balance Sheet information:

| Dollars in Millions | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Receivables - from alliance partners | $ 355 | $ 322 |
| Accounts payable - to alliance partners | 796 | 875 |
| Deferred income from alliances[(a)] | 470 | 467 |

(a) Includes unamortized upfront, milestone and other licensing proceeds. Amortization of deferred income (primarily related to alliances) was $16 million and $20 million for the three months ended March 31, 2018 and 2017, respectively.

The nature and purpose, significant rights and obligations of the parties and specific accounting policy elections for each of our significant alliances are discussed in our 2017 Form 10-K. Significant developments and updates related to alliances during 2018 are set forth below.

Nektar

In the second quarter of 2018, BMS and Nektar commenced a worldwide license and collaboration for the development and commercialization of NKTR-214, Nektar's investigational immuno-stimulatory therapy designed to selectively expand specific cancer-fighting T cells and natural killer cells directly in the tumor micro-environment. The Opdivo and NKTR-214 combination therapy is currently in clinical studies in lung, kidney, melanoma, breast and bladder cancers. The parties will jointly develop therapies in more than 20 indications across nine tumor types with each party responsible for the supply of their own product. The parties will also jointly commercialize the therapies with BMS taking the lead on combination therapies of BMS medicines with NKTR-214. BMS's share of the development costs of combination therapies comprising a BMS medicine with NKTR-214 will be 67.5% for combination studies and 35% for monotherapies comprising NKTR-214 subject to certain cost caps for Nektar. BMS's share of global NKTR-214 profits and losses will be 35% subject to certain loss caps for Nektar.

BMS paid Nektar $1.85 billion for the rights discussed above and 8.3 million shares of Nektar common stock. BMS's equity ownership is subject to certain lock-up, standstill and voting provisions for a five-year period. The amount of the up-front payment allocated to the equity investment will be $800 million after considering Nektar's stock price on the date of closing and current limitations on being able to trade the securities. The remaining $1.05 billion of the purchase price will be allocated to the rights discussed above and included in research and development expense in the

second quarter of 2018. BMS is also committed to pay up to $1.8 billion upon the achievement of contingent development, regulatory and sales-based milestones over the life of the collaboration period.

Note 5. DIVESTITURES

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | Proceeds[(a)] | | Divestiture Gains | | Royalty Income | |
| Dollars in Millions | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Manufacturing Operations | $158 | $— | $— | $— | $— | $— |
| Diabetes Business | 88 | 156 | — | (100) | (162) | (94) |
| Erbitux* Business | 59 | 55 | — | — | (47) | (54) |
| Other | 70 | 30 | (45) | (27) | (1) | (1) |
| | $375 | $241 | $(45) | $(127) | $(210) | $(149) |

(a) Includes royalties received subsequent to the related sale of the asset or business.

Manufacturing Operations

In 2017, BMS sold its small molecule active pharmaceutical ingredient manufacturing operations in Swords, Ireland to SK Biotek for approximately $165 million, subject to certain adjustments. The transaction was accounted for as the sale of a business and initial proceeds of $158 million were received in the first quarter of 2018. SK Biotek will provide certain manufacturing services for BMS through 2022.

Diabetes Business

In 2017, BMS received $100 million from AstraZeneca as additional contingent consideration for the diabetes business divestiture upon achievement of a regulatory approval milestone, which was included in other income (net).

Other Divestitures

Other divestitures include proceeds, gains and royalty income from the sale of certain mature brands. Revenues and pretax earnings related to all divestitures were not material in all periods presented.

Note 6. OTHER INCOME (NET)

| | Three Months Ended March 31, | |
|---|---|---|
| Dollars in Millions | 2018 | 2017 |
| Interest expense | $46 | $45 |
| Investment income | (36) | (26) |
| Equity investment gains | (15) | (7) |
| Provision for restructuring | 20 | 164 |
| Litigation and other settlements | — | (484) |
| Equity in net income of affiliates | (24) | (18) |
| Divestiture gains | (45) | (127) |
| Royalties and licensing income | (367) | (199) |
| Transition and other service fees | (4) | (7) |
| Pension and postretirement | (11) | 1 |
| Intangible asset impairment | 64 | — |
| Other | (28) | (21) |
| Other income (net) | $(400) | $(679) |

Litigation and other settlements includes BMS's share of a patent-infringement litigation settlement of $481 million related to Merck's PD-1 antibody Keytruda* in 2017.

Note 7. RESTRUCTURING

In October 2016, the Company announced a restructuring plan to evolve and streamline its operating model. The majority of the charges are expected to be incurred through 2020, range between $1.5 billion to $2.0 billion and consist of employee termination benefit costs, contract termination costs, plant and equipment accelerated depreciation and impairment charges and other shutdown costs associated with early site exits. Cash outlays in connection with these actions are expected to be approximately 40% to 50% of the total charges. Charges of approximately $850 million have been recognized for these actions since the announcement ($54 million and $226 million for the three months ended March 31, 2018 and 2017, respectively). Restructuring charges are recognized upon meeting certain criteria, including finalization of committed plans, reliable estimates and discussions with local works councils in certain markets.

Employee workforce reductions were approximately 100 and 900 for the three months ended March 31, 2018 and 2017, respectively.

The following tables summarize the charges and activity related to the restructuring actions:

| Dollars in Millions | Three Months Ended March 31, 2018 | 2017 |
|---|---|---|
| Employee termination costs | $9 | $161 |
| Other termination costs | 11 | 3 |
| Provision for restructuring | 20 | 164 |
| Accelerated depreciation | 21 | 70 |
| Asset impairments | 10 | 2 |
| Other shutdown costs | 3 | — |
| Total charges | $54 | $236 |

| Dollars in Millions | Three Months Ended March 31, 2018 | 2017 |
|---|---|---|
| Cost of products sold | $13 | $— |
| Marketing, selling and administrative | 1 | — |
| Research and development | 20 | 72 |
| Other income (net) | 20 | 164 |
| Total charges | $54 | $236 |

| Dollars in Millions | Three Months Ended March 31, 2018 | 2017 |
|---|---|---|
| Liability at January 1 | $186 | $114 |
| Charges | 20 | 170 |
| Change in estimates | — | (6) |
| Provision for restructuring | 20 | 164 |
| Foreign currency translation | 5 | 1 |

| | | |
|---|---|---|
| Spending | (75 ) | (44 ) |
| Liability at March 31 | $136 | $235 |

Note 8. INCOME TAXES

| | Three Months Ended March 31, | |
|---|---|---|
| Dollars in Millions | 2018 | 2017 |
| Earnings Before Income Taxes | $1,779 | $1,955 |
| Provision for Income Taxes | 284 | 429 |
| Effective Tax Rate | 16.0 % | 21.9 % |

New tax reform legislation in the U.S. was enacted on December 22, 2017 known as the Tax Cuts and Jobs Act of 2017 (the Act). The Act moves from a worldwide tax system to a quasi-territorial tax system and comprises broad and complex changes to the U.S. tax code including, but not limited to, (1) reducing the U.S. tax rate from 35% to 21%; (2) adding a deemed repatriation transition tax on certain foreign earnings and profits; (3) generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries; (4) including certain income of controlled foreign companies in U.S. taxable income; (5) creating a new minimum tax referred to as a base erosion anti-abuse income tax; (6) limiting certain research-based credits; and (7) eliminating the domestic manufacturing deduction.

Although many aspects of the Act were not effective until 2018, additional tax expense of $2.9 billion was recognized in the fourth quarter of 2017 upon its enactment, including a $2.6 billion one-time deemed repatriation transition tax on previously untaxed post-1986 foreign earnings and profits (including related tax reserves). The accounting for the $2.6 billion was and continues to be incomplete as we do not have all of the necessary information available, prepared and analyzed to complete the accounting. However, a reasonable estimate of this tax was recorded as a provisional amount. The provisional amount was reduced by $32 million in the first quarter of 2018, and may continue to change until completed in 2018 upon finalizing the 2017 taxable income, untaxed post-1986 foreign earnings and profits and related cash and certain eligible assets of the specified foreign corporations or if additional interpretations of the relevant tax code are released.

The provisional adjustment discussed above, jurisdictional tax rates and other tax impacts attributed to R&D charges and other specified items decreased the effective tax rate by 1.2% in the first quarter of 2018 and increased the effective tax rate by 1.7% in the first quarter of 2017. The tax impact of these discrete items are reflected immediately and are not considered in estimating the annual effective tax rate. The remaining 3.0% reduction to the effective tax rate from the prior year was due primarily to the impact of U.S. tax reform discussed above. Additional changes to the estimated annual effective tax rate may occur throughout the year due to various reasons including changes to pretax earnings mix, changes in tax reserves and interpretations of the relevant tax code.

BMS is currently under examination by a number of tax authorities, which have proposed or are considering proposing material adjustments to tax positions for issues such as transfer pricing, certain tax credits and the deductibility of certain expenses. It is reasonably possible that new issues will be raised by tax authorities, which may require adjustments to the amount of unrecognized tax benefits; however, an estimate of such adjustments cannot reasonably be made at this time.

It is also reasonably possible that the total amount of unrecognized tax benefits at March 31, 2018 could decrease in the range of approximately $245 million to $305 million in the next twelve months as a result of the settlement of certain tax audits and other events. The expected change in unrecognized tax benefits may result in the payment of additional taxes, adjustment of certain deferred taxes and/or recognition of tax benefits.

Note 9. EARNINGS PER SHARE

| | Three Months Ended March 31, |
|---|---|

| Amounts in Millions, Except Per Share Data | 2018 | 2017 |
|---|---|---|
| Net Earnings Attributable to BMS used for Basic and Diluted EPS Calculation | $1,486 | $1,574 |
| | | |
| Weighted-average common shares outstanding - basic | 1,633 | 1,662 |
| Incremental shares attributable to share-based compensation plans | 7 | 9 |
| Weighted-average common shares outstanding - diluted | 1,640 | 1,671 |
| | | |
| Earnings per share - basic | $0.91 | $0.95 |
| Earnings per share - diluted | 0.91 | 0.94 |

Note 10. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Financial assets and liabilities measured at fair value on a recurring basis are summarized below:

| | March 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| Dollars in Millions | Level 1 | Level 2 | Level 1 | Level 2 |
| Cash and cash equivalents - money market and other securities | $— | $4,674 | $— | $4,728 |
| Marketable securities | | | | |
| Certificates of deposit | — | 161 | — | 141 |
| Commercial paper | — | 125 | — | 50 |
| Corporate debt securities | — | 3,262 | — | 3,548 |
| Equity investments | — | 132 | — | 132 |
| Derivative assets | — | 10 | — | 13 |
| Equity investments | 82 | — | 67 | — |
| Derivative liabilities | — | (77) | — | (52) |

As further described in "—Note 9. Financial Instruments and Fair Value Measurements" in our 2017 Form 10-K, our fair value estimates use inputs that are either (1) quoted prices for identical assets or liabilities in active markets (Level 1 inputs); (2) observable prices for similar assets or liabilities in active markets or for identical or similar assets or liabilities in markets that are not active (Level 2 inputs); or (3) unobservable inputs (Level 3 inputs). There were no Level 3 financial assets or liabilities as of March 31, 2018 and December 31, 2017.

Available-for-sale Securities

The following table summarizes available-for-sale securities:

| | March 31, 2018 | | | | December 31, 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| Dollars in Millions | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Certificates of deposit | $161 | $— | $— | $161 | $141 | $— | $— | $141 |
| Commercial paper | 125 | — | — | 125 | 50 | — | — | 50 |
| Corporate debt securities | 3,303 | — | (41) | 3,262 | 3,555 | 3 | (10) | 3,548 |
| Equity investments[a] | — | — | — | — | 31 | 37 | (1) | 67 |
| | $3,589 | $— | $(41) | $3,548 | $3,777 | $40 | $(11) | $3,806 |
| Equity investments[b] | | | | 214 | | | | 132 |
| Total | | | | $3,762 | | | | $3,938 |

| Dollars in Millions | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Current marketable securities | $ 1,428 | $ 1,391 |
| Non-current marketable securities[c] | 2,252 | 2,480 |
| Other assets[a] | 82 | 67 |
| Total | $ 3,762 | $ 3,938 |

(a) Includes equity investments with readily determinable fair values not measured using the fair value option as of December 31, 2017.

(b) Includes equity and fixed income funds measured using the fair value option at December 31, 2017. Refer to "—Note.1 Basis of Presentation and Recently Issued Accounting Standards" for more information.

(c) All non-current marketable securities mature within five years as of March 31, 2018 and December 31, 2017.

Equity investments not measured at fair value and excluded from the above table were limited partnerships and other equity method investments of $82 million at March 31, 2018 and $66 million at December 31, 2017 and other equity investments without readily determinable fair values of $165 million at March 31, 2018 and $152 million at December 31, 2017. These amounts are included in Other assets.

The following table summarizes net gains recorded for equity securities held as of March 31, 2018:

| Dollars in Millions | Three Months Ended March 31, 2018 |
|---|---|
| Net gain recognized | $ 15 |
| Less: Net gain recognized for equity securities sold | — |
| Net unrealized gain on securities held | $ 15 |

Qualifying Hedges and Non-Qualifying Derivatives

The following table summarizes the fair value of outstanding derivatives:

| | March 31, 2018 | | | | December 31, 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | Asset[a] | | Liability[b] | | Asset[a] | | Liability[b] | |
| Dollars in Millions | Notional | Fair Value | Notional | Fair Value | Notional | Fair Value | Notional | Fair Value |
| Derivatives designated as hedging instruments: | | | | | | | | |
| Interest rate swap contracts | $ — | $ — | $ 755 | $ (15) | $ — | $ — | $ 755 | $ (6) |
| Cross-currency interest rate swap contracts | — | — | 300 | (16) | — | — | — | — |
| Foreign currency forward contracts | 317 | 4 | 1,158 | (26) | 944 | 12 | 489 | (9) |
| Derivatives not designated as hedging instruments: | | | | | | | | |
| Foreign currency forward contracts | 365 | 5 | 674 | (20) | 206 | 6 | 1,369 | (37) |

(a) Included in prepaid expenses and other and other assets.

(b) Included in accrued liabilities and pension and other liabilities.

The following table summarizes the financial statement classification and amount of gain/(loss) recognized on hedging instruments:

| Dollars in Millions | Three Months Ended March 31, 2018 | |
|---|---|---|
| | Cost of products sold | Other income (net) |
| Interest rate swap contracts | $ — | $ 7 |
| Cross-currency interest rate swap contracts | — | 2 |
| Foreign currency forward contracts | (20) | (9) |

The following table summarizes the effect of derivative and non-derivative instruments designated as hedging instruments in other comprehensive loss:

| Dollars in Millions | Three Months Ended March 31, |
|---|---|

| | 2018 |
|---|---|
| Derivatives qualifying as cash flow hedges | |
| Foreign currency forward contracts gain/(loss): | |
| Recognized in other comprehensive loss[(a)] | $ (38 ) |
| Reclassified to cost of products sold | 20 |
| | |
| Derivatives qualifying as net investment hedges | |
| Cross-currency interest rate swap contracts gain/(loss): | |
| Recognized in other comprehensive loss | (16 ) |
| | |
| Non-derivatives qualifying as net investment hedges | |
| Non U.S. dollar borrowings gain/(loss): | |
| Recognized in other comprehensive loss | (46 ) |

(a) The amount is expected to be reclassified into earnings in the next 12 months.

Cash Flow Hedges — Foreign currency forward contracts are used to hedge certain forecasted intercompany inventory purchase transactions and certain foreign currency transactions. The fair value for contracts designated as cash flow hedges are temporarily reported in accumulated other comprehensive income or loss and included in earnings when the hedged item affects earnings. Upon adoption of the amended guidance for derivatives and hedging, the entire change in fair value of the hedging instrument included in the assessment of hedge effectiveness is recorded in the derivatives qualifying as cash flow hedges component of other comprehensive loss. The net gain or loss on foreign currency forward contracts are expected to be reclassified to net earnings (primarily included in cost of products sold) within the next twelve months. The notional amount of outstanding foreign currency forward contracts was primarily attributed to the euro ($1.4 billion) and Japanese yen ($425 million) at March 31, 2018. BMS terminated forward starting interest rate swap contracts in the first quarter of 2017 with an aggregate notional value of $750 million. The proceeds and related gain were not material.

The earnings impact related to discontinued cash flow hedges and hedge ineffectiveness was not significant during all periods presented. Cash flow hedge accounting is discontinued when the forecasted transaction is no longer probable of occurring within 60 days after the originally forecasted date or when the hedge is no longer effective. Assessments to determine whether derivatives designated as qualifying hedges are highly effective in offsetting changes in the cash flows of hedged items are performed at inception and on a quarterly basis. Foreign currency forward contracts not designated as hedging instruments are used to offset exposures in certain foreign currency denominated assets, liabilities and earnings. Changes in the fair value of these derivatives are recognized in earnings as they occur.

Net Investment Hedges — Non-U.S. dollar borrowings of €950 million ($1.2 billion) are designated to hedge euro currency exposures of the net investment in certain foreign affiliates. These borrowings are designated as net investment hedges and recognized in long-term debt. The effective portion of foreign exchange gain or loss on the remeasurement of euro debt was $46 million and $32 million for 2018 and 2017, respectively, and were recorded in the foreign currency translation component of other comprehensive loss with a related offset in long-term debt.

In January 2018, BMS entered into $300 million of cross-currency interest rate swap contracts maturing in December 2022 designated to hedge Japanese yen currency exposures of the Company's net investment in its Japan subsidiary. Contract fair value changes are recorded in the foreign currency translation component of other comprehensive loss with a related offset in Pension and other liabilities.

Fair Value Hedges — Fixed to floating interest swap contracts are designated as fair value hedges and used as an interest rate risk management strategy to create an appropriate balance of fixed and floating rate debt. The contracts and underlying debt for the hedged benchmark risk are recorded at fair value. Gains or losses resulting from changes in fair value of the underlying debt attributable to the hedged benchmark interest rate risk are recorded in interest expense with an associated offset to the carrying value of debt. Since the specific terms and notional amount of the swap are intended to match those of the debt being hedged, all changes in fair value of the swap are recorded in interest expense with an associated offset to the derivative asset or liability on the consolidated balance sheet. As a result, there was no net impact in earnings. When the underlying swap is terminated prior to maturity, the fair value adjustment to the underlying debt is amortized as a reduction to interest expense over the remaining term of the debt.

Debt Obligations

Short-term debt obligations include:

| Dollars in Millions | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Commercial paper | $ — | $ 299 |
| Non-U.S. short-term borrowings | 458 | 512 |
| Current portion of long-term debt | 1,245 | — |
| Other | 222 | 176 |

| | | |
|---|---|---|
| Total | $ 1,925 | $ 987 |

The average amount of commercial paper outstanding was $76 million at a weighted-average rate of 1.3% during 2018. The maximum amount of commercial paper outstanding was $300 million with no outstanding balance at March 31, 2018.

Long-term debt and the current portion of long-term debt include:

| Dollars in Millions | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Principal Value | $ 6,892 | $ 6,835 |
| Adjustments to Principal Value | | |
| Fair value of interest rate swap contracts | (15) | (6) |
| Unamortized basis adjustment from swap terminations | 221 | 227 |
| Unamortized bond discounts and issuance costs | (78) | (81) |
| Total | $ 7,020 | $ 6,975 |
| | | |
| Current portion of long-term debt | $ 1,245 | $ — |
| Long-term debt | 5,775 | 6,975 |

In February 2017, BMS issued $1.5 billion in senior unsecured notes in a registered public offering. Proceeds, net of discount and deferred loan issuance costs, were $1.49 billion. The fair value of long-term debt was $7.3 billion at March 31, 2018 and $7.5 billion at December 31, 2017 valued using Level 2 inputs. Interest payments were $59 million and $43 million for the three months ended March 31, 2018 and 2017, respectively, net of amounts related to interest rate swap contracts.

Note 11. RECEIVABLES

| Dollars in Millions | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Trade receivables | $ 4,617 | $ 4,599 |
| Less charge-backs and cash discounts | (208) | (209) |
| Less bad debt allowances | (35) | (43) |
| Net trade receivables | 4,374 | 4,347 |
| Prepaid and refundable income taxes | 325 | 691 |
| Alliance, royalties, VAT and other | 984 | 1,262 |
| Receivables | $ 5,683 | $ 6,300 |

Non-U.S. receivables sold on a nonrecourse basis were $203 million and $120 million for the three months ended March 31, 2018 and 2017, respectively. Receivables from our three largest pharmaceutical wholesalers in the U.S. represented 66% and 65% of total trade receivables at March 31, 2018 and December 31, 2017, respectively.

Note 12. INVENTORIES

| Dollars in Millions | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Finished goods | $ 417 | $ 384 |
| Work in process | 932 | 931 |
| Raw and packaging materials | 306 | 273 |
| Total inventories | $ 1,655 | $ 1,588 |
| | | |
| Inventories | $ 1,231 | $ 1,166 |
| Other assets | 424 | 422 |

Other assets include inventory expected to remain on hand beyond one year in both periods.

Note 13. PROPERTY, PLANT AND EQUIPMENT

| Dollars in Millions | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Land | $ 100 | $ 100 |
| Buildings | 4,955 | 4,848 |
| Machinery, equipment and fixtures | 3,099 | 3,059 |
| Construction in progress | 1,005 | 980 |
| Gross property, plant and equipment | 9,159 | 8,987 |
| Less accumulated depreciation | (4,099) | (3,986) |
| Property, plant and equipment | $ 5,060 | $ 5,001 |

Depreciation expense was $113 million and $166 million for the three months ended March 31, 2018 and 2017, respectively.

Note 14. OTHER INTANGIBLE ASSETS

| Dollars in Millions | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Licenses | $ 519 | $ 567 |
| Developed technology rights | 2,357 | 2,357 |
| Capitalized software | 1,383 | 1,381 |
| IPRD | 32 | 32 |
| Gross other intangible assets | 4,291 | 4,337 |
| Less accumulated amortization | (3,175) | (3,127) |
| Other intangible assets | $ 1,116 | $ 1,210 |

Amortization expense was $46 million and $47 million for the three months ended March 31, 2018 and 2017, respectively.

A $64 million impairment charge was recorded in other income (net) in 2018 for an out-licensed asset obtained in the 2010 acquisition of ZymoGenetics, Inc., which did not meet its primary endpoint in a phase II clinical study.

Note 15. ACCRUED LIABILITIES

| Dollars in Millions | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Rebates and returns | $ 2,210 | $ 2,024 |
| Employee compensation and benefits | 397 | 869 |
| Research and development | 728 | 783 |
| Dividends | 654 | 654 |
| Royalties | 252 | 285 |
| Branded Prescription Drug Fee | 319 | 303 |
| Restructuring | 113 | 155 |
| Pension and postretirement benefits | 40 | 40 |
| Litigation and other settlements | 35 | 38 |
| Other | 813 | 863 |
| Accrued liabilities | $ 5,561 | $ 6,014 |

Note 16. EQUITY

| Dollars and Shares in Millions | Common Stock Shares | Common Stock Par Value | Capital in Excess of Par Value of Stock | Accumulated Other Comprehensive Loss | Retained Earnings | Treasury Stock Shares | Treasury Stock Cost | Noncontrolling Interest |
|---|---|---|---|---|---|---|---|---|
| Balance at December 31, 2016 | 2,208 | $ 221 | $ 1,725 | $ (2,503) | $ 33,513 | 536 | $ (16,779) | $ 170 |
| Accounting change - cumulative effect | | | | | (787) | | | |
| Adjusted balance at January 1, 2017 | 2,208 | $ 221 | $ 1,725 | $ (2,503) | $ 32,726 | 536 | $ (16,779) | $ 170 |
| Net earnings | — | — | — | — | 1,574 | — | — | 11 |
| Other comprehensive income | — | — | — | 89 | — | — | — | — |
| Cash dividends declared | — | — | — | — | (642) | — | — | — |
| Stock repurchase program | — | — | (400) | — | — | 29 | (1,600) | — |
| Stock compensation | — | — | 12 | — | — | (4) | (7) | — |
| Variable interest entity | — | — | — | — | — | — | — | (59) |
| Distributions | — | — | — | — | — | — | — | (3) |
| Balance at March 31, 2017 | 2,208 | $ 221 | $ 1,337 | $ (2,414) | $ 33,658 | 561 | $ (18,386) | $ 119 |
| Balance at December 31, 2017 | 2,208 | $ 221 | $ 1,898 | $ (2,289) | $ 31,160 | 575 | $ (19,249) | $ 106 |
| Accounting change - cumulative effect[(a)] | — | — | — | (34) | 332 | — | — | — |
| Adjusted balance at January 1, 2018 | 2,208 | $ 221 | $ 1,898 | $ (2,323) | $ 31,492 | 575 | $ (19,249) | $ 106 |
| Net earnings | — | — | — | — | 1,486 | — | — | 9 |
| Other comprehensive income | — | — | — | 89 | — | — | — | — |
| Cash dividends declared | — | — | — | — | (655) | — | — | — |
| Stock repurchase program | — | — | — | — | — | 3 | (166) | — |
| Stock compensation | — | — | 18 | — | — | (4) | (18) | — |
| Distributions | — | — | — | — | — | — | — | (2) |
| Balance at March 31, 2018 | 2,208 | $ 221 | $ 1,916 | $ (2,234) | $ 32,323 | 574 | $ (19,433) | $ 113 |

(a) Refer to "—Note 1. Basis of Presentation and Recently Issued Accounting Standards" for additional information.

BMS has a stock repurchase program authorized by its Board of Directors allowing for repurchases in the open market or through private transactions, including plans established in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934. The stock repurchase program does not have an expiration date and may be suspended or discontinued at any time. Treasury stock is recognized at the cost to reacquire the shares. Shares issued from treasury are recognized utilizing the first-in first-out method. BMS repurchased approximately 2.6 million shares for $167 million during the three months ended March 31, 2018.

BMS repurchased $2 billion of its common stock in 2017 through accelerated share repurchase agreements. The agreements were funded through a combination of debt and cash.

The components of other comprehensive income/(loss) were as follows:

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Pretax | Tax | After tax | Pretax | Tax | After tax |
| Three Months Ended March 31, | | | | | | |
| Derivatives qualifying as cash flow hedges: | | | | | | |
| Unrealized gains/(losses) | $(38) | $6 | $ (32) | $(18) | $7 | $ (11) |
| Reclassified to net earnings[a] | 20 | (7) | 13 | (22) | 4 | (18) |
| Derivatives qualifying as cash flow hedges | (18) | (1) | (19) | (40) | 11 | (29) |
| | | | | | | |
| Pension and postretirement benefits: | | | | | | |
| Actuarial gains/(losses) | 112 | (24) | 88 | 58 | (18) | 40 |
| Amortization[b] | 20 | (3) | 17 | 19 | 3 | 22 |
| Settlements[b] | 31 | (7) | 24 | 33 | (12) | 21 |
| Pension and postretirement benefits | 163 | (34) | 129 | 110 | (27) | 83 |
| | | | | | | |
| Available-for-sale securities: | | | | | | |
| Unrealized gains/(losses) | (32) | 6 | (26) | 9 | (3) | 6 |
| | | | | | | |
| Foreign currency translation | (7) | 12 | 5 | 21 | 8 | 29 |
| | | | | | | |
| Total Other Comprehensive Income/(Loss) | $106 | $(17) | $ 89 | $100 | $(11) | $ 89 |

(a) Included in cost of products sold
(b) Included in other income (net)

The accumulated balances related to each component of other comprehensive loss, net of taxes, were as follows:

| Dollars in Millions | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Derivatives qualifying as cash flow hedges | $(38) | $ (19) |
| Pension and other postretirement benefits | (1,754) | (1,883) |
| Available-for-sale securities | (28) | 32 |
| Foreign currency translation | (414) | (419) |
| Accumulated other comprehensive loss | $(2,234) | $ (2,289) |

Note 17. RETIREMENT BENEFITS

The net periodic benefit cost/(credit) of defined benefit pension plans includes:

| Dollars in Millions | Three Months Ended March 31, 2018 | 2017 |
|---|---|---|
| Service cost – benefits earned during the year | $7 | $ 6 |
| Interest cost on projected benefit obligation | 46 | 48 |
| Expected return on plan assets | (109) | (103) |
| Amortization of prior service credits | (1) | (1) |
| Amortization of net actuarial loss | 21 | 21 |
| Curtailments and settlements | 31 | 33 |
| Net periodic pension benefit cost/(credit) | $(5) | $ 4 |

Pension settlement charges were recognized after determining that the annual lump sum payments will likely exceed the annual interest and service costs for the primary and certain other U.S. pension plans. The charges included the acceleration of a portion of unrecognized actuarial losses. Non-current pension liabilities were $434 million at March 31, 2018 and $456 million at December 31, 2017. Defined contribution plan expense in the U.S. was approximately $40 million in both periods. Comprehensive medical and group life benefits are provided for substantially all U.S. retirees electing to participate in comprehensive medical and group life plans and to a lesser extent certain benefits for non-U.S. employees. The net periodic benefit credits were not material in both periods.

Note 18. LEGAL PROCEEDINGS AND CONTINGENCIES

The Company and certain of its subsidiaries are involved in various lawsuits, claims, government investigations and other legal proceedings that arise in the ordinary course of business. These claims or proceedings can involve various types of parties, including governments, competitors, customers, suppliers, service providers, licensees, employees, or shareholders, among others. The resolution of these matters often develops over a long period of time and expectations can change as a result of new findings, rulings, appeals or settlement arrangements. The Company recognizes accruals for such contingencies when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. These matters involve patent infringement, antitrust, securities, pricing, sales and marketing practices, environmental, commercial, contractual rights, licensing obligations, health and safety matters, consumer fraud, employment matters, product liability and insurance coverage. Legal proceedings that are material or that the Company believes could become material are described below.

Although the Company believes it has substantial defenses in these matters, there can be no assurance that there will not be an increase in the scope of pending matters or that any future lawsuits, claims, government investigations or other legal proceedings will not be material. Unless otherwise noted, the Company is unable to assess the outcome of the respective litigation nor is it able to provide an estimated range of potential loss. Furthermore, failure to enforce our patent rights would likely result in substantial decreases in the respective product revenues from generic competition.

INTELLECTUAL PROPERTY

Plavix* - Australia

As previously disclosed, Sanofi was notified that, in August 2007, GenRx Proprietary Limited (GenRx) obtained regulatory approval of an application for clopidogrel bisulfate 75mg tablets in Australia. GenRx, formerly a subsidiary of Apotex Inc. (Apotex), has since changed its name to Apotex. In August 2007, Apotex filed an application in the Federal Court of Australia (the Federal Court) seeking revocation of Sanofi’s Australian Patent No. 597784 (Case No. NSD 1639 of 2007). Sanofi filed counterclaims of infringement and sought an injunction. On September 21, 2007, the Federal Court granted Sanofi’s injunction. A subsidiary of the Company was subsequently added as a party to the proceedings. In February 2008, a second company, Spirit Pharmaceuticals Pty. Ltd., also filed a revocation suit against the same patent. This case was consolidated with the Apotex case, and a trial occurred in April 2008. On August 12, 2008, the Federal Court of Australia held that claims of Patent No. 597784 covering clopidogrel bisulfate, hydrochloride, hydrobromide, and taurocholate salts were valid. The Federal Court also held that the process claims, pharmaceutical composition claims, and claim directed to clopidogrel and its pharmaceutically acceptable salts were invalid. The Company and Sanofi filed notices of appeal in the Full Court of the Federal Court of Australia (Full Court) appealing the holding of invalidity of the claim covering clopidogrel and its pharmaceutically acceptable salts, process claims, and pharmaceutical composition claims which have stayed the Federal Court’s ruling. Apotex filed a notice of appeal appealing the holding of validity of the clopidogrel bisulfate, hydrochloride, hydrobromide, and taurocholate claims. A hearing on the appeals occurred in February 2009. On September 29, 2009, the Full Court held all of the claims of Patent No. 597784 invalid. In November 2009, the Company and Sanofi applied to the High Court of Australia (High Court) for special leave to appeal the judgment of the Full Court. In March 2010, the High Court denied the Company and Sanofi’s request to hear the appeal of the Full Court decision. The case was remanded to the Federal Court for further proceedings related to damages sought by Apotex. The Company and Apotex have settled the Apotex case, and the case was dismissed. The Australian government has intervened in this matter and is seeking maximum damages up to 449 million AUD ($346 million), plus interest, which would be split between the Company and Sanofi, for alleged losses experienced for paying a higher price for branded Plavix* during the period when the injunction was in place. The Company and Sanofi have disputed that the Australian government is entitled to any damages and the Australian government's claim is still pending and a trial was concluded in September 2017. The Company is expecting a decision in 2018.

Sprycel - Europe

In May 2013, Apotex, Actavis Group PTC ehf, Generics [UK] Limited (Mylan) and an unnamed company filed oppositions in the EPO seeking revocation of European Patent No. 1169038 (the ‘038 patent) covering dasatinib, the active ingredient in Sprycel. The ‘038 patent is scheduled to expire in April 2020 (excluding potential term extensions).

On January 20, 2016, the Opposition Division of the EPO revoked the ‘038 patent. In May 2016, the Company appealed the EPO’s decision to the EPO Board of Appeal. In February 2017, the EPO Board of Appeal upheld the Opposition Division's decision, and revoked the ‘038 patent. Orphan drug exclusivity and data exclusivity for Sprycel in the EU expired in November 2016. The EPO Board of Appeal's decision does not affect the validity of our other Sprycel patents within and outside Europe, including different patents that cover the monohydrate form of dasatinib and the use of dasatinib to treat CML. Additionally, in February 2017, the EPO Board of Appeal reversed and remanded an invalidity decision on European Patent No. 1610780 and its claim to the use of dasatinib to treat CML, which the EPO's Opposition Division had revoked in October 2012. The Company intends to take appropriate legal actions to protect Sprycel. We may experience a decline in European revenues in the event that generic dasatinib product enters the market.

Anti-PD-1 Antibody Patent Oppositions and Litigation

In September 2015, Dana-Farber Cancer Institute (Dana-Farber) filed a complaint in Massachusetts federal court seeking to correct the inventorship on up to five related U.S. patents directed to methods of treating cancer using PD-1 and PD-L1 antibodies. Specifically, Dana-Farber is seeking to add two scientists as inventors to these patents. In October 2017, Pfizer was allowed to intervene in this case alleging that one of the scientists identified by Dana-Farber was employed by a company eventually acquired by Pfizer during the relevant period. While an adverse decision in this litigation would not result in monetary liability for the Company, it could decrease potential future licensing revenue from these patents. A trial has been scheduled for December 2018.

Eliquis Patent Litigation - U.S.

In 2017, twenty-five generic companies sent the Company Paragraph-IV certification letters informing the Company that they had filed abbreviated new drug applications (aNDAs) seeking approval of generic versions of Eliquis. As a result, two Eliquis patents listed in the FDA Orange Book are being challenged: the composition of matter patent claiming apixaban specifically and a formulation patent. In April 2017, the Company, along with its partner Pfizer, initiated patent lawsuits under the Hatch-Waxman Act against all generic filers in federal district courts in Delaware and West Virginia. In August 2017, the United States Patent and Trademark Office granted patent term restoration to the composition of matter patent, thereby restoring the term of the Eliquis composition of matter patent, which is the Company’s basis for projected LOE, from February 2023 to November 2026. The Company has settled lawsuits with a number of aNDA filers through April 2018. The settlements do not affect the Company’s projected LOE for Eliquis.

PRICING, SALES AND PROMOTIONAL PRACTICES LITIGATION

Plavix* State Attorneys General Lawsuits

The Company and certain affiliates of Sanofi are defendants in consumer protection and/or false advertising actions brought by several states relating to the sales and promotion of Plavix*.

PRODUCT LIABILITY LITIGATION

The Company is a party to various product liability lawsuits. Plaintiffs in these cases seek damages and other relief on various grounds for alleged personal injury and economic loss. As previously disclosed, in addition to lawsuits, the Company also faces unfiled claims involving its products.

Plavix*

As previously disclosed, the Company and certain affiliates of Sanofi are defendants in a number of individual lawsuits in various state and federal courts claiming personal injury damage allegedly sustained after using Plavix*. Over 5,000 claims involving injury plaintiffs as well as claims by spouses and/or other beneficiaries have been filed in state and federal courts in various states including California, New Jersey, Delaware and New York. In February 2013, the Judicial Panel on Multidistrict Litigation granted the Company and Sanofi’s motion to establish a multi-district litigation (MDL) to coordinate Federal pretrial proceedings in Plavix* product liability and related cases in New Jersey Federal Court. Following the United States Supreme Court’s June 2017 reversal of a California Supreme Court decision that had held that the California state courts can exercise personal jurisdiction over the claims of non-California residents, over 3,300 out-of-state resident plaintiffs' claims (including spouses and beneficiaries) previously pending in the California state court have been dismissed. Some number of these California non-resident plaintiffs’ claims may be re-filed in federal court. After the Company filed summary judgment motions in all of the remaining cases, law firms representing a majority of the remaining cases represented to the various courts that they will withdraw from or discontinue all or most of their cases. The resolution of these remaining lawsuits is not expected to have a material impact on the Company.

Byetta*

Amylin, a former subsidiary of the Company, and Lilly are co-defendants in product liability litigation related to Byetta*. To date, there are over 500 separate lawsuits pending on behalf of approximately 2,000 active plaintiffs (including pending settlements), which include injury plaintiffs as well as claims by spouses and/or other beneficiaries, in various courts in the U.S. The majority of these cases have been brought by individuals who allege personal injury sustained after using Byetta*, primarily pancreatic cancer, and, in some cases, claiming alleged wrongful death. The majority of cases are pending in Federal Court in San Diego in an MDL or in a coordinated proceeding in California Superior Court in Los Angeles (JCCP). In November 2015, the defendants' motion for

summary judgment based on federal preemption was granted in both the MDL and the JCCP. The plaintiffs in the MDL appealed to the U.S. Court of Appeals for the Ninth Circuit. In November 2017, the Ninth Circuit reversed the MDL summary judgment order and remanded the case for further proceedings. The JCCP plaintiffs have appealed to the California Court of Appeal and their appeal remains pending. Amylin has product liability insurance covering a substantial number of claims involving Byetta* and any additional liability to Amylin with respect to Byetta* is expected to be shared between the Company and AstraZeneca.

Abilify*

The Company and Otsuka are co-defendants in product liability litigation related to Abilify*. Plaintiffs allege Abilify* caused them to engage in compulsive gambling and other impulse control disorders. There have been over 900 cases filed in state and federal courts and several additional cases are pending in Canada. The Judicial Panel on Multidistrict Litigation has consolidated the federal court cases for pretrial purposes in the United States District Court for the Northern District of Florida. The first MDL trial is currently scheduled to take place in June 2018.

Eliquis

The Company and Pfizer are co-defendants in product liability litigation related to Eliquis. Plaintiffs assert claims, including claims for wrongful death, as a result of bleeding they allege was caused by their use of Eliquis. The claims are pending in an MDL in the United States District Court for the Southern District of New York and in state courts. As of April 2018, there are over 50 cases pending in the MDL and state courts in the United States and one pending in Canada. Over 200 cases have been dismissed with prejudice by the MDL. Plaintiffs have appealed some of the dismissed cases to the Second Circuit Court of Appeals.

Onglyza*

The Company and AstraZeneca are co-defendants in product liability litigation related to Onglyza*. Plaintiffs assert claims, including claims for wrongful death, as a result of heart failure or other cardiovascular injuries they allege were caused by their use of Onglyza*. As of April 2018, claims are pending in state and federal court on behalf of over 200 individuals who allege they ingested the product and suffered an injury. A significant majority of these claims are pending in federal courts. In February 2018, the Judicial Panel on Multidistrict Litigation ordered all federal cases to be transferred to an MDL in the United States District Court for the Eastern District of Kentucky. As part of the Company's global diabetes business divestiture, the Company sold Onglyza* to AstraZeneca in February 2014 and any potential liability with respect to Onglyza* is expected to be shared with AstraZeneca.

SHAREHOLDER DERIVATIVE LITIGATION

Since December 2015, three shareholder derivative lawsuits were filed in New York state court against certain officers and directors of the Company. The plaintiffs allege, among other things, breaches of fiduciary duty surrounding the Company's previously disclosed October 2015 civil settlement with the Securities and Exchange Commission of alleged Foreign Corrupt Practices Act violations in China in which the Company agreed to a payment of approximately $14.7 million in disgorgement, penalties and interest. As of October 2017, all three of the lawsuits have been dismissed. The Company received a notice of appeal as to one of the dismissed lawsuits.

SECURITIES LITIGATION

Since February 2018, two separate putative class action complaints were filed in the U.S. District for the Northern District of California and in the U.S. District Court for the Southern District of New York against the Company, the Company's Chief Executive Officer, Giovanni Caforio, the Company's Chief Financial Officer, Charles A. Bancroft and certain former and current executives of the Company. The case in California has been voluntarily dismissed. The remaining complaint alleges violations of securities laws for the Company's disclosures related to the CheckMate -026 clinical trial in lung cancer. The Company intends to defend itself vigorously in this litigation.

GOVERNMENT INVESTIGATIONS

Like other pharmaceutical companies, the Company and certain of its subsidiaries are subject to extensive regulation by national, state and local government agencies in the U.S. and other countries in which BMS operates. As a result, the Company, from time to time, is subject to various governmental inquiries and investigations. It is possible that criminal charges, substantial fines and/or civil penalties, could result from government investigations.

ENVIRONMENTAL PROCEEDINGS

As previously reported, the Company is a party to several environmental proceedings and other matters, and is responsible under various state, federal and foreign laws, including CERCLA, for certain costs of investigating and/or remediating contamination resulting from past industrial activity at the Company's current or former sites or at waste disposal or reprocessing facilities operated by third parties.

CERCLA Matters

With respect to CERCLA matters for which the Company is responsible under various state, federal and foreign laws, the Company typically estimates potential costs based on information obtained from the U.S. Environmental

Protection Agency, or counterpart state or foreign agency and/or studies prepared by independent consultants, including the total estimated costs for the site and the expected cost-sharing, if any, with other "potentially responsible parties," and the Company accrues liabilities when they are probable and reasonably estimable. The Company estimated its share of future costs for these sites to be $63 million at March 31, 2018, which represents the sum of best estimates or, where no best estimate can reasonably be made, estimates of the minimal probable amount among a range of such costs (without taking into account any potential recoveries from other parties). The amount includes the estimated costs for any additional probable loss associated with the previously disclosed North Brunswick Township High School Remediation Site.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

EXECUTIVE SUMMARY

Bristol-Myers Squibb Company is a global specialty biopharmaceutical company whose mission is to discover, develop and deliver innovative medicines that help patients prevail over serious diseases. Our strategy is to combine the resources, scale and capability of a pharmaceutical company with the speed and focus on innovation of the biotech industry. Our four strategic priorities are to drive business performance, continue to build a strong franchise in IO, maintain a diversified portfolio both within and outside of IO, and continue our disciplined approach to capital allocation, including establishing partnerships and collaborations as an essential component of successfully delivering transformational medicines to patients. Refer to the Summary of Abbreviated Terms at the end of this Quarterly Report on Form 10-Q for terms used throughout the document.

Our revenues increased by 5% for the three months ended March 31, 2018 as a result of higher demand for our prioritized brands including Opdivo and Eliquis partially offset by increased competition for established brands. Foreign exchange contributed 4% to the revenue growth. The $0.03 decrease in GAAP EPS was largely due to a patent infringement litigation settlement in the first quarter of 2017 related to Merck's PD-1 antibody Keytruda* (pembrolizumab). This was partially offset by higher royalties and licensing income and lower restructuring and early site exit costs. After adjusting for litigation settlements and other specified items, non-GAAP EPS increased $0.10 due to higher royalties and licensing income, a lower tax rate and less shares outstanding. Cost savings resulting from our transformation initiatives continue to be redeployed in R&D and other areas of higher priorities.

| | Three Months Ended March 31, | |
|---|---|---|
| Dollars in Millions, except per share data | 2018 | 2017 |
| Total Revenues | $5,193 | $4,929 |
| | | |
| Diluted Earnings Per Share | | |
| GAAP | $0.91 | $0.94 |
| Non-GAAP | 0.94 | 0.84 |

Our non-GAAP financial measures, including non-GAAP earnings and related EPS information, are adjusted to exclude specified items which represent certain costs, expenses, gains and losses and other items impacting the comparability of financial results. For a detailed listing of all specified items and further information and reconciliations of non-GAAP financial measures refer to "—Non-GAAP Financial Measures."

Significant Product and Pipeline Approvals

The following is a summary of significant approvals received in 2018:

| Product | Date | Approval |
|---|---|---|
| Opdivo+Yervoy | April 2018 | FDA approval of Opdivo+Yervoy combination for previously untreated patients with intermediate and poor-risk advanced RCC. |
| Orencia | February 2018 | Approval in Japan for an intravenously administered treatment of moderate to severe polyarticular JIA in patients two years of age and older. |
| Yervoy | January 2018 | EC approval of advanced (unresectable or metastatic) melanoma in pediatric patients 12 years of age and older. |

Refer to "—Product and Pipeline Developments" for all of the developments in our marketed products and late-stage pipeline in 2018.

Acquisition and Licensing Arrangements

Acquisition and licensing arrangements allow us to focus our resources behind our growth opportunities that drive the greatest long-term value. We are focused on the following core therapeutic areas: oncology, including IO, immunoscience, cardiovascular and fibrosis. Significant transactions entered into in 2018 are summarized below. Refer to "Item 1. Financial Statements—Note 4. Alliances" for further information.

Nektar: In the second quarter of 2018, BMS and Nektar commenced a worldwide license and collaboration for the development and commercialization of NKTR-214, Nektar's investigational immuno-stimulatory therapy.

Janssen: In the second quarter of 2018, BMS and Janssen Pharmaceuticals, Inc. commenced a worldwide collaboration for the development and commercialization of a Factor Xla program including BMS's Factor Xla inhibitor, BMS-986166, an investigational anticoagulant compound being studied for the prevention and treatment of major thrombotic conditions.

RESULTS OF OPERATIONS

Regional Revenues

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | Total Revenues | | 2018 vs. 2017 | |
| Dollars in Millions | 2018 | 2017 | Total Change | Foreign Exchange[b] |
| United States | $2,778 | $2,738 | 1 % | — |
| Europe | 1,406 | 1,146 | 23 % | 15 % |
| Rest of the World | 873 | 925 | (6 )% | 3 % |
| Other[a] | 136 | 120 | 13 % | N/A |
| Total | $5,193 | $4,929 | 5 % | 4 % |

(a) Other revenues include royalties and alliance-related revenues for products not sold by our regional commercial organizations.

(b) Foreign exchange impacts were derived by applying the prior period average currency rates to the current period sales.

U.S. revenues increased due to higher demand for Opdivo and Eliquis partially offset by lower demand for established brands. Average U.S. net selling prices were approximately 2% lower as additional discounts, charge-backs and rebates exceeded list price increases in the three months ended March 31, 2018 compared to the prior year period. Refer to "—Product Revenues" below for additional information.

Europe revenues increased due to higher demand for Opdivo and Eliquis and favorable foreign exchange partially offset by lower demand for established brands due to increased competition.

Rest of the World revenues decreased due to lower demand for established brands due to increased competition partially offset by higher demand for Opdivo.

No single country outside the U.S. contributed more than 10% of total revenues during the three months ended March 31, 2018 or 2017. Our business is typically not seasonal.

GTN Adjustments

The reconciliation of gross product sales to net product sales by each significant category of GTN adjustments was as follows:

| | Three Months Ended March 31, | | |
|---|---|---|---|
| Dollars in Millions | 2018 | 2017 | % Change |
| Gross product sales | $6,701 | $5,862 | 14 % |
| GTN adjustments | | | |
| Charge-backs and cash discounts | (583 ) | (438 ) | 33 % |
| Medicaid and Medicare rebates | (557 ) | (384 ) | 45 % |
| Other rebates, returns, discounts and adjustments | (589 ) | (460 ) | 28 % |
| Total GTN adjustments | (1,729 ) | (1,282 ) | 35 % |
| Net product sales | $4,972 | $4,580 | 9 % |
| | | | |
| GTN adjustments percentage | 26 % | 22 % | 4 % |
| U.S. | 34 % | 28 % | 6 % |
| Non-U.S. | 13 % | 12 % | 1 % |

Reductions to provisions for product sales made in prior periods resulting from changes in estimates were $50 million and $49 million in the three months ended March 31, 2018 and 2017, respectively. GTN adjustments are primarily a

function of product sales volume, regional and payer channel mix, contractual or legislative discounts and rebates. GTN adjustments are increasing at a higher rate than gross product sales due to higher U.S. Eliquis gross product sales, which has a relatively high GTN adjustment percentage as a result of competitive pressures to maintain its position on healthcare payer formularies allowing patients continued access through their medical plans.

Product Revenues

| Dollars in Millions | Three Months Ended March 31, 2018 | 2017 | % Change |
|---|---|---|---|
| Prioritized Brands | | | |
| Opdivo | $1,511 | $1,127 | 34 % |
| U.S. | 938 | 761 | 23 % |
| Non-U.S. | 573 | 366 | 57 % |
| Eliquis | 1,506 | 1,101 | 37 % |
| U.S. | 885 | 699 | 27 % |
| Non-U.S. | 621 | 402 | 54 % |
| Orencia | 593 | 535 | 11 % |
| U.S. | 385 | 362 | 6 % |
| Non-U.S. | 208 | 173 | 20 % |
| Sprycel | 438 | 463 | (5 )% |
| U.S. | 214 | 247 | (13 )% |
| Non-U.S. | 224 | 216 | 4 % |
| Yervoy | 249 | 330 | (25 )% |
| U.S. | 162 | 243 | (33 )% |
| Non-U.S. | 87 | 87 | — |
| Empliciti | 55 | 53 | 4 % |
| U.S. | 37 | 36 | 3 % |
| Non-U.S. | 18 | 17 | 6 % |
| Established Brands | | | |
| Baraclude | 225 | 282 | (20 )% |
| U.S. | 10 | 14 | (29 )% |
| Non-U.S. | 215 | 268 | (20 )% |
| Sustiva Franchise | 84 | 184 | (54 )% |
| U.S. | 10 | 153 | (93 )% |
| Non-U.S. | 74 | 31 | ** |
| Reyataz Franchise | 124 | 193 | (36 )% |
| U.S. | 51 | 88 | (42 )% |
| Non-U.S. | 73 | 105 | (30 )% |
| Hepatitis C Franchise | 3 | 162 | (98 )% |
| U.S. | 5 | 42 | (88 )% |
| Non-U.S. | (2 ) | 120 | ** |
| Other Brands | 405 | 499 | (19 )% |
| U.S. | 81 | 93 | (13 )% |

| | | | | |
|---|---|---|---|---|
| Non-U.S. | 324 | 406 | (20 | )% |
| Total Revenues | 5,193 | 4,929 | 5 | % |
| U.S. | 2,778 | 2,738 | 1 | % |
| Non-U.S. | 2,415 | 2,191 | 10 | % |

** Change in excess of 100%

Opdivo (nivolumab) — a fully human monoclonal antibody that binds to the PD-1 on T and NKT cells that has been approved for several anti-cancer indications including bladder, blood, colon, head and neck, kidney, liver, lung, melanoma and stomach and continues to be investigated across other tumor types and disease areas.

- U.S. revenues increased due to higher demand, primarily due to approvals for additional indications. In the future, we expect competition to continue for the lung indication.
- International revenues increased due to higher demand as a result of approvals for additional indications, launches in new countries and favorable foreign exchange.

Eliquis (apixaban) — an oral Factor Xa inhibitor, targeted at stroke prevention in adult patients with non-valvular atrial fibrillation and the prevention and treatment of venous thromboembolic disorders.

- U.S. and international revenues increased due to higher demand resulting from increased commercial acceptance of novel oral anticoagulants and market share gains.
- The increase in U.S. revenues was partially offset by lower average net selling prices.
- International revenues also increased due to favorable foreign exchange.

Orencia (abatacept) — a fusion protein indicated for adult patients with moderate to severe active RA and PsA and is also indicated for reducing signs and symptoms in certain pediatric patients with moderately to severely active polyarticular juvenile idiopathic arthritis.

- U.S. revenues increased due to higher average net selling prices and demand.
- International revenues increased due to higher demand and favorable foreign exchange.

Sprycel (dasatinib) — an oral inhibitor of multiple tyrosine kinase indicated for the first-line treatment of adults with Philadelphia chromosome-positive chronic myeloid leukemia in chronic phase and the treatment of adults with chronic, accelerated, or myeloid or lymphoid blast phase CML with resistance or intolerance to prior therapy, including Gleevec* (imatinib meslylate).

- U.S. revenues decreased due to retail inventory workdown and lower average net selling prices.
- International revenues increased due to foreign exchange.

Yervoy (ipilimumab) — a monoclonal antibody for the treatment of patients with unresectable or metastatic melanoma.

- U.S. revenues decreased due to lower demand primarily due to the introduction of Opdivo for the treatment of adjuvant melanoma.

Baraclude (entecavir) — an oral antiviral agent for the treatment of chronic hepatitis B.

- International revenues continued to decrease due to lower demand resulting from increased competition.

Sustiva (efavirenz) Franchise — a non-nucleoside reverse transcriptase inhibitor for the treatment of HIV, which includes Sustiva, an antiretroviral drug, and bulk efavirenz, which is also included in the combination therapy, Atripla*.

- The LOE for Sustiva in the U.S. occurred in December 2017. Gilead terminated BMS's participation in the U.S. and Canada joint venture following the launch of a generic version of Sustiva in the U.S. As a result, BMS's share of Atripla* revenues will further decline during the next three years.
- International revenues include $52 million of U.S. Atripla* royalty revenue.

Reyataz (atazanavir sulfate) Franchise — Includes Reyataz - a protease inhibitor for the treatment of HIV and Evotaz (atazanavir 300 mg and cobicistat 150 mg) - a combination therapy containing Reyataz and Tybost* (cobicistat).

- The LOE for Reyataz in the U.S. occurred in December 2017.
- International revenues continued to decrease due to lower demand.

Hepatitis C Franchise — Daklinza (daclatasvir) - an NS5A replication complex inhibitor; Sunvepra (asunaprevir) - an NS3 protease inhibitor; and beclabuvir - an NS5B inhibitor.

- U.S. and international revenues decreased due to lower demand resulting from increased competition.

Other Brands — includes all other products, including those which have lost exclusivity in major markets, OTC brands and royalty revenue.

- International revenues decreased primarily due to lower Plavix* royalties as a result of the adoption of amended revenue guidance in 2018, the December 2017 expiration of rights to Abilify* in Canada and continued generic erosion for other brands.

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Estimated End-User Demand

Pursuant to the SEC Consent Order described in our 2017 Annual Report on Form 10-K, we monitor inventory levels on hand in the U.S. wholesaler distribution channel and outside of the U.S. in the direct customer distribution channel. We are obligated to disclose products with levels of inventory in excess of one month on hand or expected demand, subject to a de minimis exception. Estimated levels of inventory in the distribution channel in excess of one month on hand for the following products were not material to our results of operations as of the dates indicated. At March 31, 2018, Daklinza had 4.6 months of inventory on hand in the U.S. as a result of minimum required stock levels to support patient demand. We expect inventory on hand levels of Daklinza to exceed one month over the near term. Below are international products that had estimated levels of inventory in the distribution channel in excess of one month at December 31, 2017.

Dafalgan, an analgesic product sold principally in Europe, had 1.3 months of inventory on hand internationally at direct customers compared to 1.2 months of inventory on hand at September 30, 2017. The level of inventory on hand was primarily attributable to France to support product seasonality.

Efferalgan, an analgesic product sold principally in Europe, had 1.5 months of inventory on hand internationally at direct customers compared to 1.2 months of inventory on hand at September 30, 2017. The level of inventory on hand was primarily attributable to France to support product seasonality.

Fervex, a cold and flu product, had 2.1 months of inventory on hand at direct customers compared to 3.0 months of inventory on hand at September 30, 2017. The level of inventory on hand was attributable to France to support product seasonality.

Daklinza, a Hepatitis C product, had 1.4 months of inventory on hand internationally at direct customers compared to 0.9 months of inventory on hand at September 30, 2017. The level of inventory on hand was primarily attributable to an impending price reduction in Russia.

Sustiva, an HIV product, had 2.4 months of inventory on hand at direct customers compared to 0.9 months of inventory on hand at September 30, 2017. The level of inventory on hand was attributable to low volume in-market sales in Canada.

In the U.S., we generally determine our months on hand estimates using inventory levels of product on hand and the amount of out-movement provided by our three largest wholesalers and our distributors. Our three largest wholesalers account for approximately 95% of total gross sales of U.S. products. Factors that may influence our estimates include generic competition, wholesaler purchases in light of increases in wholesaler list prices, new product launches, new warehouse openings by wholesalers and new customer stockings by wholesalers. In addition, these estimates are calculated using third-party data, which may be impacted by their recordkeeping processes.

Our non-U.S. businesses have significantly more direct customers. Information on available direct customer product level inventory and corresponding out-movement information and the reliability of third-party demand information varies widely. We limit our direct customer sales channel inventory reporting to where we can influence demand. When this information does not exist or is otherwise not available, we have developed a variety of methodologies to estimate such data, including using historical sales made to direct customers and third-party market research data related to prescription trends and end-user demand. Given the difficulties inherent in estimating third-party demand information, we evaluate our methodologies to estimate direct customer product level inventory and to calculate months on hand on an ongoing basis and make changes as necessary. Factors that may affect our estimates include generic competition, seasonality of products, price increases, new product launches, new warehouse openings by direct customers, new customer stockings by direct customers and expected direct customer purchases for governmental bidding situations. As a result, all of the information required to estimate months on hand in the direct customer distribution channel for non-U.S. businesses for the quarter ended March 31, 2018 is not available prior to the filing of this quarterly report on Form 10-Q. We will disclose any product with inventory levels in excess of one month on hand or expected demand for the current quarter, subject to a de minimis exception, in the next quarterly report on Form 10-Q.

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Expenses

| | Three Months Ended March 31, | | |
|---|---|---|---|
| Dollars in Millions | 2018 | 2017 | % Change |
| Cost of products sold | $1,584 | $1,265 | 25 % |
| Marketing, selling and administrative | 980 | 1,085 | (10)% |
| Research and development | 1,250 | 1,303 | (4)% |
| Other income (net) | (400) | (679) | (41)% |
| Total Expenses | $3,414 | $2,974 | 15 % |

Cost of products sold increased due to higher Eliquis profit sharing of $191 million and to a lesser extent foreign currency and hedge settlements.

Marketing, selling and administrative expenses decreased due to lower advertising, promotion, and marketing expenses, lower branded prescription drug fee, and lower costs attributed to transformation initiatives.

Research and development decreased due to lower IPRD impairments and early site exit costs.

Significant charges included in R&D expense were as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| Dollars in Millions | 2018 | 2017 |
| Cormorant | $60[b] | $ — |
| PsiOxus | — | 50[a] |
| License and asset acquisition charges | 60 | 50 |
| IPRD impairments | — | 75 |
| Site exit costs and other | 20 | 72 |

(a) Upfront payment

(b) Milestone payment

- License and asset acquisition charges resulted from strategic transactions to acquire or license certain investigational oncology compounds.
- IPRD impairment charges were related to the discontinued development of an investigational compound, which was part of our alliance with F-Star Alpha in 2017.
- Site exit costs and other charges resulted from the expected exit of R&D sites in the U.S. through 2020 primarily due to the reduction in the estimated useful lives of the related assets for each site.

Other income (net) decreased due to a patent litigation infringement settlement in 2017 and lower divestiture gains, partially offset by higher royalty and licensing income and restructuring charges.

Items included in other income (net) were as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| Dollars in Millions | 2018 | 2017 |
| Interest expense | $46 | $45 |
| Investment income | (36) | (26) |
| Equity investment gains | (15) | (7) |
| Provision for restructuring | 20 | 164 |
| Litigation and other settlements | — | (484) |
| Equity in net income of affiliates | (24) | (18) |

| | | |
|---|---|---|
| Divestiture gains | (45 ) | (127 ) |
| Royalties and licensing income | (367 ) | (199 ) |
| Transition and other service fees | (4 ) | (7 ) |
| Pension and postretirement | (11 ) | 1 |
| Intangible asset impairment | 64 | — |
| Other | (28 ) | (21 ) |
| Other income (net) | $(400) | $(679) |

- Equity investment gains include all fair value adjustments due to the adoption of amended guidance for the recognition and measurement of financial assets and liabilities in 2018.
- Restructuring charges relate to changes to the Company's operating model to drive continued success in the near- and long-term through a more focused investment in commercial opportunities for key brands and markets, a competitive and more agile R&D organization that can accelerate the pipeline, streamline operations and realign manufacturing capabilities that broaden biologics capabilities to reflect the current and future portfolio as well as streamline and simplify our small-molecule supply network. The new operating model is expected to enable the Company to deliver the strategic, financial and operational flexibility necessary to invest in the highest priorities across the Company. Aggregate restructuring charges of approximately $150 million are expected to be incurred in 2018 for all actions in addition to accelerated depreciation impacts resulting from early site exits.
- Litigation and other settlements include $481 million for BMS's share of a patent-infringement settlement related to Merck's PD-1 antibody Keytruda* in 2017.
- Divestiture gains includes contingent consideration of $100 million received for the diabetes business divestiture in 2017.
- Royalties and licensing income includes additional consideration of $50 million to amend the royalty terms for an out-licensing arrangement and higher Diabetes business divestiture and Keytruda* royalties in 2018.
- Pension and postretirement includes the net periodic cost (credit) for pension and post-retirement benefit plans including settlement and curtailment charges.
- Intangible asset impairments include $64 million in 2018 for an out-licensed asset obtained in the 2010 acquisition of ZymoGenetics, Inc., which did not meet its primary endpoint in a phase II clinical study.

Refer to "Item 1. Financial Statements—Note 1. Basis of Presentation and Recently Issued Accounting Standards, Note 6. Other Income (Net), Note 7. Restructuring and Note 10. Financial Instruments and Fair Value Measurements" for further information.

Income Taxes

| | Three Months Ended March 31, | |
|---|---|---|
| Dollars in Millions | 2018 | 2017 |
| Earnings Before Income Taxes | $1,779 | $1,955 |
| Provision for Income Taxes | 284 | 429 |
| Effective Tax Rate | 16.0 % | 21.9 % |

As discussed in more detail in "Item 1. Financial Statements—Note 8. Income Taxes", the decrease in the effective tax rate by 5.9 percentage points was primarily due to new U.S. tax reform legislation known as the Tax Cuts and Jobs Act of 2017 (the Act) enacted on December 22, 2017. The Act moves from a worldwide tax system to a quasi-territorial tax system and comprises broad and complex changes to the U.S. tax code. A reduction to the provisional repatriation transition tax in 2018 and jurisdictional tax rates attributed to R&D charges and other specified items also impacted the effective tax rates. Additional changes to the effective tax rate may occur throughout the year due to various reasons including further changes to the provisional repatriation tax, pretax earnings mix, tax reserves and revised interpretations of the relevant tax code.

Non-GAAP Financial Measures

Our non-GAAP financial measures, including non-GAAP earnings and related EPS information, are adjusted to exclude certain costs, expenses, gains and losses and other specified items that are evaluated on an individual basis. These items are adjusted after considering their quantitative and qualitative aspects and typically have one or more of the following characteristics, such as being highly variable, difficult to project, unusual in nature, significant to the results of a particular period or not indicative of future operating results. Similar charges or gains were recognized in

prior periods and will likely reoccur in future periods including restructuring costs; accelerated depreciation and impairment of property, plant and equipment and intangible assets; R&D charges in connection with the acquisition or licensing of third-party intellectual property rights; divestiture, equity investment and debt redemption gains or losses; pension charges; and legal and other contractual settlements, among other items. Deferred and current income taxes attributed to these items are also adjusted for considering their individual impact to the overall tax expense, deductibility and jurisdictional tax rates.

Non-GAAP information is intended to portray the results of our baseline performance, supplement or enhance management, analysts and investors overall understanding of our underlying financial performance and facilitate comparisons among current, past and future periods. For example, non-GAAP earnings and EPS information is an indication of our baseline performance before items that are considered by us to not be reflective of our ongoing results. In addition, this information is among the primary indicators we use as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting for future periods. This information is not intended to be considered in isolation or as a substitute for net earnings or diluted EPS prepared in accordance with GAAP.

Specified items were as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| Dollars in Millions | 2018 | 2017 |
| Impairment charges | $10 | $— |
| Accelerated depreciation and other shutdown costs | 3 | — |
| Cost of products sold | 13 | — |
| Marketing, selling and administrative | 1 | — |
| License and asset acquisition charges | 60 | 50 |
| IPRD impairments | — | 75 |
| Site exit costs and other | 20 | 72 |
| Research and development | 80 | 197 |
| Equity investment gains | (15) | — |
| Provision for restructuring | 20 | 164 |
| Litigation and other settlements | — | (481) |
| Divestiture gains | (43) | (100) |
| Royalties and licensing income | (50) | — |
| Pension charges | 31 | 33 |
| Intangible asset impairment | 64 | — |
| Other income (net) | 7 | (384) |
| Increase/(decrease) to pretax income | 101 | (187) |
| Income taxes on items above | (8) | 72 |
| U.S. tax reform provisional amount adjustment | (32) | — |
| Income taxes | (40) | 72 |
| Increase/(decrease) to net earnings | 61 | (115) |
| Noncontrolling interest | — | (59) |
| Increase/(decrease) to net earnings used for Diluted Non-GAAP EPS calculation | $61 | $(174) |

The reconciliations from GAAP to Non-GAAP were as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| Dollars in Millions, except per share data | 2018 | 2017 |
| Net Earnings Attributable to BMS used for Diluted EPS Calculation – GAAP | $1,486 | $1,574 |
| Specified Items | 61 | (174) |
| Net Earnings Attributable to BMS used for Diluted EPS Calculation – Non-GAAP | $1,547 | $1,400 |
| Average Common Shares Outstanding – Diluted | 1,640 | 1,671 |
| Diluted EPS Attributable to BMS – GAAP | $0.91 | $0.94 |
| Diluted EPS Attributable to Specified Items | 0.03 | (0.10) |

| | | |
|---|---|---|
| Diluted EPS Attributable to BMS – Non-GAAP | $0.94 | $0.84 |

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Our net cash position was as follows:

| Dollars in Millions | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Cash and cash equivalents | $ 5,342 | $ 5,421 |
| Marketable securities – current | 1,428 | 1,391 |
| Marketable securities – non-current | 2,252 | 2,480 |
| Total cash, cash equivalents and marketable securities | 9,022 | 9,292 |
| Short-term debt obligations | (1,925) | (987) |
| Long-term debt | (5,775) | (6,975) |
| Net cash position | $ 1,322 | $ 1,330 |

Cash, cash equivalents and marketable securities held in the U.S. were approximately $4.4 billion at March 31, 2018. Most of the remaining $4.6 billion is held primarily in low-tax jurisdictions and is subject to restrictions or withholding taxes in certain jurisdictions. We are subject to a one-time deemed repatriation transition tax of $2.6 billion which will be payable over eight years as a result of U.S. tax reform beginning in 2018. However, we expect to have more flexibility in accessing cash and future cash that may be generated in foreign subsidiaries. We believe that our existing cash, cash equivalents and marketable securities together with cash generated from operations and issuance of commercial paper in the U.S. will be sufficient to satisfy our normal cash requirements for at least the next few years, including dividends, capital expenditures, milestone payments, working capital, deemed repatriation transition tax and $1.25 billion of long-term debt maturing in 2019.

Management continuously evaluates the Company’s capital structure to ensure the Company is financed efficiently, which may result in the repurchase of common stock and debt securities, termination of interest rate swap contracts prior to maturity and issuance of debt securities.

The Company repurchased $167 million of common stock in 2018 through Rule 10b5-1 plans. The average amount of commercial paper outstanding was $76 million at a weighted-average rate of 1.3% during 2018. The maximum amount of commercial paper outstanding was $300 million with no outstanding balance at March 31, 2018.

Dividend payments were $653 million and $655 million in the three months ended March 31, 2018 and 2017, respectively. Dividends declared per common share were $0.40 and $0.39 in the three months ended March 31, 2018 and 2017, respectively. Dividend decisions are made on a quarterly basis by our Board of Directors. Annual capital expenditures were $1.1 billion in 2017 and are expected to be approximately $1.0 billion in 2018 and $850 million in 2019. We continue to expand our biologics manufacturing capabilities and other facility-related activities. For example, we are constructing a new large-scale biologics manufacturing facility in Ireland that will produce multiple therapies for our growing biologics portfolio when completed in 2019. We also paid $1.85 billion to Nektar in the second quarter of 2018 for certain collaboration rights and 8.3 million shares of its common stock.

Our investment portfolio includes non-current marketable securities, which are subject to changes in fair value as a result of interest rate fluctuations and other market factors. Our investment policy establishes limits on the amount and duration of investments with any institution. The policy also requires that investments are only entered into with corporate and financial institutions that meet high credit quality standards. Refer to “Item 1. Financial Statements—Note 10. Financial Instruments and Fair Value Measurements” for further information.

We currently have three separate revolving credit facilities totaling $5.0 billion from a syndicate of lenders. The facilities provide for customary terms and conditions with no financial covenants. Our 364-day $2.0 billion facility expires in March 2019 and our two $1.5 billion facilities were extended to October 2021 and July 2022. Our two $1.5

billion, five-year facilities are extendable annually by one year on the anniversary date with the consent of the lenders. No borrowings were outstanding under any revolving credit facility at March 31, 2018 or December 31, 2017.

Additional regulations in the U.S. could be passed in the future including additional healthcare reform initiatives, further changes to tax laws, additional pricing laws and potential importation restrictions which may reduce our results of operations, operating cash flow, liquidity and financial flexibility. We continue to monitor the potential impact of the economic conditions in certain European and other countries and the related impact on prescription trends, pricing discounts and creditworthiness of our customers. We believe these economic conditions will not have a material impact on our liquidity, cash flow or financial flexibility.

Credit Ratings

BMS's long-term and short-term credit ratings assigned by Moody's Investors Service are A2 and Prime-1, respectively, with a stable rating outlook. BMS's long-term and short-term credit ratings assigned by Standard & Poor's are A+ and A-1+, respectively, with a stable rating outlook. BMS's long-term and short-term credit ratings assigned by Fitch are A- and F2, respectively, with a stable rating outlook. Our long-term ratings reflect the agencies' opinion that we have a low default risk but are somewhat susceptible to adverse effects of changes in circumstances and economic conditions. Our short-term ratings reflect the agencies' opinion that we have good to extremely strong capacity for timely repayment. Any credit rating downgrade may affect the interest rate of any debt we may incur, the fair market value of existing debt and our ability to access the capital markets generally.

Cash Flows

The following is a discussion of cash flow activities:

| | Three Months Ended March 31, | |
|---|---|---|
| Dollars in Millions | 2018 | 2017 |
| Cash flow provided by/(used in): | | |
| Operating activities | $1,175 | $861 |
| Investing activities | (43) | (203) |
| Financing activities | (1,222) | (1,013) |

Operating Activities

Cash flow from operating activities represents the cash receipts and disbursements from all of our activities other than investing and financing activities. Operating cash flow is derived by adjusting net earnings for noncontrolling interest, non-cash operating items, gains and losses attributed to investing and financing activities and changes in operating assets and liabilities resulting from timing differences between the receipts and payments of cash and when the transactions are recognized in our results of operations. As a result, changes in cash from operating activities reflect the timing of cash collections from customers and alliance partners; payments to suppliers, alliance partners and employees; customer discounts and rebates; and tax payments in the ordinary course of business. For example, annual employee bonuses are typically paid in the first quarter of the subsequent year. In addition, cash collections continue to be impacted by longer payment terms for certain biologic products in the U.S., primarily our newer oncology products including Opdivo, Yervoy and Empliciti (90 days to 120 days). The longer payment terms are used to more closely align with the insurance reimbursement timing for physicians and cancer centers following administration to the patients.

The $314 million change in cash flow from operating activities compared to 2017 was primarily attributable to:

- Timing of cash collections and payments in the ordinary course of business of approximately $800 million;

Partially offset by:

- Lower litigation settlement proceeds of approximately $500 million related to Merck's PD-1 antibody Keytruda* in 2017.

Investing Activities

Cash requirements from investing activities include cash used for acquisitions, manufacturing and facility-related capital expenditures and purchases of marketable securities with maturities greater than 90 days reduced by proceeds from business divestitures (including royalties) and the sale and maturity of marketable securities.

The $160 million change in cash flow from investing activities compared to 2017 was primarily attributable to:

- Higher net sales of marketable securities with maturities greater than 90 days of approximately $200 million; and

- Higher business divestiture proceeds of approximately $100 million primarily due to the sale of the small molecule active pharmaceutical ingredient manufacturing operations in Swords, Ireland to SK Biotek in 2018.

Partially offset by:

- Higher net acquisition and other payments of approximately $200 million primarily due to a Flexus contingent consideration payment.

Financing Activities

Cash requirements from financing activities include cash used to pay dividends, repurchase common stock and repay long-term debt and other borrowings reduced by proceeds from the exercise of stock options and issuance of long-term debt and other borrowings.

The $209 million change in cash flow from financing activities compared to 2017 was primarily attributable to:

- Lower net borrowings of $2.0 billion primarily to fund the repurchase of common stock in 2017.

Partially offset by:

- Lower repurchases of common stock of $1.8 billion primarily due to the accelerated share repurchase agreements in 2017.

Product and Pipeline Developments

We manage our R&D programs on a portfolio basis, investing resources in each stage from early discovery through late-stage development. We continually evaluate our portfolio of R&D assets to ensure that there is an appropriate balance of early- and late-stage programs to support future growth. We consider our R&D programs that have entered into Phase III development to be significant, as these programs constitute our late-stage development pipeline. These programs include both investigational compounds in Phase III development for initial indications and marketed products in Phase III development for additional indications or formulations. The following are the recent developments in our marketed products and our late-stage pipeline:

| Product | Indication | Date | Developments |
|---|---|---|---|
| Opdivo | NSCLC | April 2018 | Announced that the pivotal, randomized Phase III CheckMate-078 trial evaluating Opdivo versus docetaxel in a predominantly Chinese population with previously treated advanced NSCLC demonstrated superior overall survival benefit in the primary endpoint regardless of PD-L1 expression or tumor histology. |
| | SCCHN | April 2018 | Announced two-year OS data from CheckMate-141, a Phase III study, evaluating Opdivo compared with investigator’s choice chemotherapy (cetuximab, docetaxel or methotrexate) in patients with recurrent or metastatic SCCHN after failure on platinum-based therapy. |
| | SCLC | April 2018 | Announced FDA accepted the Company's sBLA for priority review to treat patients with SCLC whose disease has progressed after two or more prior lines of therapy. The FDA action date is August 16, 2018. |
| | Various | April 2018 | EC approval of an every four-week (Q4W) Opdivo dosing schedule of 480 mg infused over 60 minutes as an option for patients with advanced melanoma and previously treated RCC as well as the approval of a two-week Opdivo dosing option of 240 mg infused over 30 minutes to replace weight-based dosing for all six approved monotherapy indications in the EU. |
| | | March 2018 | FDA approval the Company's sBLA to update Opdivo dosing to include 480 mg infused every four weeks for a majority of approved indications as well as a shorter 30 minute infusion across all approved indications. |
| Opdivo+Yervoy | CRC | March 2018 | Announced FDA accepted the Company's sBLA for priority review for the treatment of adults with MSI-H or dMMR mCRC that has progressed following treatment with a fluoropyrimidine, oxaliplatin, and irinotecan. The FDA action date is July 10, 2018. |
| | NSCLC | April 2018 | Announced initial results from the pivotal Phase III CheckMate-227 study in which the Opdivo+ low-dose Yervoy combination reduced the risk of progression or death by 42% versus chemotherapy in previously untreated NSCLC patients with high TMB. |
| | RCC | April 2018 | FDA approval of Opdivo+Yervoy combination for previously untreated patients with intermediate and poor-risk advanced RCC. |
| Eliquis | NVAF | March 2018 | Announced findings from the largest real-world data analysis of NVAF patients receiving direct oral anticoagulants showing that Eliquis is associated with lower rates of stroke or systemic embolism and major bleeding than rivaroxaban or dabigatran. |
| Orencia | JIA | February 2018 | Approval in Japan for an intravenously administered treatment of moderate to severe polyarticular JIA in patients two years of age and older. |

| | | | |
|---|---|---|---|
| Yervoy | Melanoma | January 2018 | EC approval of advanced (unresectable or metastatic) melanoma in pediatric patients 12 years of age and older. |

Critical Accounting Policies

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses. Our critical accounting policies are those that significantly impact our financial condition and results of operations and require the most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Because of this uncertainty, actual results may vary from these estimates. For a discussion of our critical accounting policies, refer to “—Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2017 Annual Report on Form 10-K. There have been no material changes to our critical accounting policies during the three months ended March 31, 2018. For information regarding the impact of recently adopted accounting standards, refer to "—Note.1 Basis of Presentation and Recently Issued Accounting Standards".

Special Note Regarding Forward-Looking Statements

This quarterly report on Form 10-Q (including documents incorporated by reference) and other written and oral statements we make from time to time contain certain “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. You can identify these forward-looking statements by the fact they use words such as “should”, “expect”, “anticipate”, “estimate”, “target”, “may”, “project”, “guidance”, “intend”, “plan”, “believe” and other words and terms of similar meaning and expression in connection with any discussion of future operating or financial performance. One can also identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. Such forward-looking statements are based on current expectations and involve inherent risks and uncertainties, including factors that could delay, divert or change any of them, and could cause actual outcomes to differ materially from current expectations. These statements are likely to relate to, among other things, our goals, plans and projections regarding our financial position, results of operations, cash flows, market position, product development, product approvals, sales efforts, expenses, performance or results of current and anticipated products and the outcome of contingencies such as legal proceedings and financial results, which are based on current expectations that involve inherent risks and uncertainties, including internal or external factors that could delay, divert or change any of them in the next several years. We have included important factors in the cautionary statements included in this report and in the 2017 Annual Report on Form 10-K, particularly under “Item 1A. Risk Factors,” that we believe could cause actual results to differ materially from any forward-looking statement.

Although we believe we have been prudent in our plans and assumptions, no assurance can be given that any goal or plan set forth in forward-looking statements can be achieved and readers are cautioned not to place undue reliance on such statements, which speak only as of the date made. We undertake no obligation to release publicly any revisions to forward-looking statements as a result of new information, future events or otherwise.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a discussion of our market risk, refer to “Item 7A. Quantitative and Qualitative Disclosures About Market Risk” in our 2017 Annual Report on Form 10-K.

Item 4. CONTROLS AND PROCEDURES

Management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures. Based on their evaluation, as of the end of the period covered by this Form 10-Q, the Chief Executive Officer and Chief Financial Officer have concluded that such disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective.

There were no changes in the Company’s internal control over financial reporting during the quarter ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Information pertaining to legal proceedings can be found in “Item 1. Financial Statements—Note 18. Legal Proceedings and Contingencies,” to the interim consolidated financial statements, and is incorporated by reference herein.

Item 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in the Company’s 2017 Annual Report on Form 10-K.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table summarizes the surrenders of our equity securities during the three months ended March 31, 2018:

| Period | Total Number of Shares Purchased[(a)] | Average Price Paid per Share[(a)] | Total Number of Shares Purchased as Part of Publicly Announced Programs[(b)] | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs[(b)] |
|---|---|---|---|---|
| Dollars in Millions, Except Per Share Data | | | | |
| January 1 to 31, 2018 | 1,115,487 | $ 62.30 | 1,093,965 | $ 1,593 |
| February 1 to 28, 2018 | 550,193 | 64.74 | 521,341 | 1,559 |
| March 1 to 31, 2018 | 2,259,175 | 66.89 | 972,505 | 1,495 |
| Three months ended March 31, 2018 | 3,924,855 | | 2,587,811 | |

(a) Includes shares repurchased as part of publicly announced programs and shares of common stock surrendered to the Company to satisfy tax-withholding obligations in connection with the vesting of awards under our long-term incentive program.

(b) In May 2010, the Board of Directors authorized the repurchase of up to $3.0 billion of common stock and in June 2012 increased its authorization for the repurchase of common stock by an additional $3.0 billion. In October 2016, the Board of Directors approved a new share repurchase program authorizing the repurchase of an additional $3.0 billion of common stock. The stock repurchase program does not have an expiration date. Refer to “Item 1. Financial Statements—Note 16. Equity" for information on the accelerated share repurchase agreements.

Item 6. EXHIBITS

Exhibits (listed by number corresponding to the Exhibit Table of Item 601 in Regulation S-K).

| Exhibit No. | Description |
|---|---|
| 12. | Computation of Earnings to Fixed Charges. |
| 31a. | Section 302 Certification Letter. |
| 31b. | Section 302 Certification Letter. |
| 32a. | Section 906 Certification Letter. |
| 32b. | Section 906 Certification Letter. |
| 101. | The following financial statements from the Bristol-Myers Squibb Company Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, formatted in Extensible Business Reporting Language (XBRL): (i) consolidated statements of earnings, (ii) consolidated statements of comprehensive income, (iii) consolidated balance sheets, (iv) consolidated statements of cash flows, and (v) the notes to the consolidated financial statements. |

* Indicates, in this Form 10-Q, brand names of products, which are registered trademarks not solely owned by the Company or its subsidiaries. Abilify is a trademark of Otsuka Pharmaceutical Co., Ltd.; Atripla is a trademark of Bristol-Myers Squibb and Gilead Sciences, LLC; Plavix is a trademark of Sanofi; Byetta is a trademark of Amylin Pharmaceuticals, LLC; Erbitux is a trademark of ImClone LLC; Onglyza is a trademark of AstraZeneca AB; Gleevec is a trademark of Novartis AG; Keytruda is a trademark of Merck Sharp & Dohme Corp.; and Tybost is a trademark of Gilead Sciences Ireland UC and/or one of its affiliates. Brand names of products that are in all italicized letters, without an asterisk, are registered trademarks of BMS and/or one of its subsidiaries.

SUMMARY OF ABBREVIATED TERMS

Bristol-Myers Squibb Company may be referred to as Bristol-Myers Squibb, BMS, the Company, we, our or us in this Quarterly Report on Form 10-Q. Throughout this Quarterly Report on Form 10-Q we have used terms which are defined below:

| | |
|---|---|
| 2017 Form 10-K | Annual Report on Form 10-K for the fiscal year ended December 31, 2017 |
| AstraZeneca | AstraZeneca PLC |
| CML | chronic myeloid leukemia |
| CRC | colorectal cancer |
| dMMR | DNA mismatch repair deficient |
| EC | European Commission |
| EMA | European Medicines Agency |
| EPO | European Patent Office |
| EPS | earnings per share |
| EU | European Union |
| FASB | Financial Accounting Standards Board |
| FDA | U.S. Food and Drug Administration |
| Flexus | Flexus Biosciences, Inc. |
| F-Star Alpha | F-Star Alpha Ltd. |
| GAAP | U.S. generally accepted accounting principles |
| Gilead | Gilead Sciences, Inc. |
| GTN | gross-to-net |
| HIV | human immunodeficiency virus |
| HNC | head and neck cancer |
| IO | immuno-oncology |
| IPRD | in-process research and development |
| JIA | juvenile idiopathic arthritis |
| LOE | loss of exclusivity |
| mCRC | metastatic colorectal cancer |
| Merck | Merck & Co., Inc. |
| MSI-H | microsatellite instability-high |
| Nektar | Netkar Therapeutics |
| NKT | natural killer T cells |
| NSCLC | non-small cell lung cancer |
| NVAF | non-valvular atrial fibrillation |
| OTC | over-the-counter |
| PD-1 | programmed cell death protein 1 |
| PD-L1 | programmed death-ligand 1 |
| PsA | psoriatic arthritis |
| Quarterly Report on Form 10-Q | Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 |
| R&D | research and development |
| RA | rheumatoid arthritis |
| RCC | renal cell carcinoma |
| sBLA | supplemental Biologics License Application |
| SCCHN | squamous cell carcinoma of the head and neck |
| SCLC | small cell lung cancer |
| SEC | Securities and Exchange Commission |
| SK Biotek | SK Biotek Co., Ltd. |
| TMB | tumor mutational burden |
| U.S. | United States |

UK United Kingdom

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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.

BRISTOL-MYERS SQUIBB COMPANY
(REGISTRANT)

Date: April 26, 2018 By: /s/ Giovanni Caforio
Giovanni Caforio
Chairman of the Board and Chief Executive Officer

Date: April 26, 2018 By: /s/ Charles Bancroft
Charles Bancroft
Chief Financial Officer