
"IF I CAN LIVE MY LIFE
AND INSPIRE OTHERS
TO LIVE THEIR LIVES
MORE FULLY,
THEN I'M BLESSED."
-Jeff Julian
2016 | Annual Report
Bristol-Myers Squibb

Bristol-Myers Squibb

On the cover: Jeff Julian. See Jeff's story on page 5.

"Throughout 2016, we strengthened our platform for creating value, recognizing our responsibility to shareholders to build long-term, sustainable growth through innovation that makes a difference, today and tomorrow."

- Giovanni Caforio, M.D., Chief Executive Officer

Researcher Tiffany Kuo working on next generation immunotherapy medicines.

> "In every part of our organization and in every part of the world, our work continued to be driven by an unwavering commitment to the people at the center of everything we do – our patients and their families."
>
> - Giovanni Caforio, M.D., Chief Executive Officer

TO OUR SHAREHOLDERS

2016 was an important year for Bristol-Myers Squibb. We delivered strong operational and financial results. We expanded the indications and market performance of our PD-1 inhibitor *Opdivo*. We advanced *Eliquis* towards leadership in the prevention of stroke for patients with atrial fibrillation. We advanced a broad and deep portfolio and pipeline of opportunities in Immuno-Oncology and in core specialty therapeutic areas such as cardiovascular, fibrosis and immunoscience. And we continued our work in underserved communities to make healthcare accessible to those who need it.

We also focused on the future, continuing to advance our Biopharma strategy by initiating an important operating model evolution aimed at focusing our resources on the most important priorities for our business.

It was a year in which we further strengthened our platform for creating value, recognizing our responsibility to shareholders to build long-term, sustainable growth through innovation that makes a difference, today and tomorrow.

And throughout 2016, in every part of our organization and in every part of the world, our work continued to be driven by an unwavering commitment to the people at the center of every-thing we do – our patients and their families. They are the reason for our focus on transformational medicines. They are the reason we worked harder and faster to deliver our results.

GLOBAL SALES by region

UNITED STATES 55%

EUROPE 22%

23% REST OF THE WORLD & OTHER
includes Japan (7%)

Delivering for Today

With respect to our overall operating performance, 2016 was an outstanding year. We exceeded our budget targets and delivered $19.4 billion in revenue – 17% growth over the preceding year. This was due to double-digit growth in a number of key markets and across much of our portfolio.

As a result of our strong operating performance, we achieved 2016 GAAP EPS of $2.65 and Non-GAAP EPS of $2.83, which represents growth of over 150% and 41% vs. the previous year, respectively.

Much of our success in 2016 was driven by the strength of our Immuno-Oncology portfolio with revenues of nearly $5 billion. *Opdivo* sales reached $3.8 billion, as a result of a strong uptake across all tumor types. *Yervoy* sales in the U.S. started to grow again, due to the adoption of the combination regimen in melanoma.

Tackling the hardest-to-treat cancers is challenging, and we saw this first-hand last August with the negative outcome of Checkmate 026, our *Opdivo* monotherapy clinical trial in 1st line lung cancer. We have integrated important lessons learned from this trial into our broad development program in lung cancer, and we believe our medicines will continue to play an important role in improving treatment outcomes for this deadly disease.

More generally, we further broadened the label for *Opdivo*, which is now approved in the U.S. for 11 indications in six tumor types – an unprecedented accomplishment in just over two years. This includes a new indication in head and neck cancer, which was achieved late in the year, as well as in bladder cancer, which was achieved early in 2017. We also saw *Opdivo* grow outside the U.S., with significant regulatory approvals in the European Union and Japan.

Beyond Immuno-Oncology, other key growth drivers for our strong 2016 results included the anti-coagulant *Eliquis*, which delivered $3.3 billion in sales – an 80% increase over the previous year. *Eliquis* has become a leading oral anti-coagulant globally for stroke prevention in patients with atrial fibrillation. In the U.S., we established the leadership of *Eliquis* in cardiology in terms of the number of total prescriptions, surpassing warfarin, the long-time standard of care. Additionally, we made good progress in the overall market, which includes primary care physicians.

Orencia and *Sprycel* performed very well in 2016. Both experienced double-digit growth with $2.3 billion and $1.8 billion in sales, respectively.

The company and its partner Ono also secured an important patent litigation settlement, signing a global license agreement to settle all patent-infringement litigation related to Merck's PD-1 antibody *Keytruda*® (pembrolizumab). This settlement was a critical milestone for Bristol-Myers Squibb in protecting our intellectual property rights as the early innovators in the science of PD-1, a key mechanism in Immuno-Oncology that PAGE 4 ▶

These accomplishments represent just the latest in a string of impressive leadership milestones achieved in 2016:

ELIQUIS

#1

IN THE U.S.

- Total prescriptions for all indications and all specialties among novel anti-coagulants (NOACs)
- New-to-brand prescriptions for all indications and all specialties among oral anti-coagulants, including warfarin
- Reached #1 in hospital/institutional sales among NOACs

GLOBAL MARKETS

- 80% year-over-year growth
- Across indications, approved in more than 90 countries worldwide

ESTIMATED

5.5M

PEOPLE treated with ***Eliquis*** worldwide since launch

DELIVERING by the **NUMBERS**

$19.4
BILLION
in revenue

17%
GROWTH
VS. 2015

Opdivo
$3.8 BILLION

Eliquis
$3.3 BILLION

Orencia
$2.3 BILLION

Sprycel
$1.8 BILLION

Hepatitis C Franchise
$1.6 BILLION

Yervoy
$1.1 BILLION

$4.9
BILLION
INVESTED
IN **R&D**

has proven to have transformational impact in cancer care. We will continue to assert our intellectual property rights in this important field and to defend our scientific discoveries.

Delivering for Tomorrow

Throughout the year, we also focused efforts on building our future. This was very clear in the work we did to develop and enhance our promising pipeline of transformational medicines.

Towards the end of the year, we started to see data from our next wave pipeline in Immuno-Oncology, with three of these new assets potentially entering registrational studies in 2017. In addition, we expect over a dozen data readouts spanning multiple tumor types that could further broaden the label of *Opdivo* and *Yervoy* over the next couple of years.

Lung cancer remains a priority for Bristol-Myers Squibb, and we made important progress in our studies in combination therapies, which are at the core of our strategy. In fact, we have several ongoing Phase III combination programs to address the urgent need for improved treatment options for patients with lung cancer.

We also advanced our early pipeline in cardiovascular, immunoscience and fibrosis, where we expect to see important data readouts beginning in 2017. These programs address areas of high unmet medical need, such as heart failure, lupus and non-alcoholic steatohepatitis (NASH). Many of these are first-in-class molecules, with the potential to be best-in-class.

We have always recognized the importance of acquiring innovation externally, and 2016 was an important year for business development at Bristol-Myers Squibb. Our business development activity continued to enhance our key disease areas of focus and spanned partnerships with academia, biotech and larger companies. We acquired Cormorant Pharmaceuticals, which broadens the company's oncology pipeline focus on the tumor microenvironment, and Padlock Therapeutics, which expands the company's immunoscience pipeline. We signed license agreements with Nitto Denko PAGE 6 ▶

WINNING in **IMMUNO-ONCOLOGY**

10
NEW **I-O COMPOUNDS**
in clinical development

TRIALS IN
35
tumor types

JEFF JULIAN

COMPETITOR. COACH. CANCER SURVIVOR.

As head coach of the Rose Bowl Aquatics for more than ten years, an eight-time All-American at the University of Southern California (USC) and a champion swimmer since he was an adolescent, Jeff Julian has always known what it takes to succeed.

But in early January 2015, he made this announcement on social media: "Dear Friends, Family and Loved Ones, My world has been rocked today."

Doctors had just given him the diagnosis of stage IV lung cancer.

'A Nagging Pain'

Ever since the previous summer, Jeff hadn't felt right. "We had a lot of athletes in the water that had a lot of potential, and a lot of goals that we were shooting for," he recalls. "Then I started feeling pains in my back."

An x-ray revealed a large mass in Jeff's left lung. Subsequent scans revealed extensive metastases. "My prognosis was six to 12 months," says Jeff. The hardest part, he says, was sitting down with Trenton, his 17-year-old son, to talk about the diagnosis.

> "DEAR FRIENDS, FAMILY AND LOVED ONES, **MY WORLD** HAS BEEN ROCKED TODAY."

"I wasn't ready," he says. "I wasn't ready to leave my family. Basically what I kept repeating was, 'I can't, I can't, I can't.' I couldn't leave my son, couldn't leave my wife."

At first, his doctors gave Jeff and his wife, Kristine, little reason for hope. But then an oncologist at the University of California Los Angeles Medical Center mentioned a clinical trial with a combination therapy of two new immunotherapy drugs, ipilimumab and nivolumab. Studies of this combination therapy for the treatment of lung cancer are continuing.

Jeff enrolled and after 12 weeks of treatment, the first scans showed his tumors had shrunk significantly. They continued to shrink and are now substantially smaller than their original size.

Inspiring Others

In July 2016, Jeff returned to his alma mater and was named the USC Trojans' men's and women's assistant coach. He also continues to coach his son, an aspiring Olympian.

"If I can live my life and inspire others to live their lives more fully, then I'm blessed." Jeff says.

Dr. Alan Anderson of Texas Children's Hospital examining a cancer patient in Botswana.

Global HOPE: Addressing Childhood Cancer and Blood Disorders in Africa

When a child is diagnosed with a life-threatening disease such as cancer, parents cling to hope that their child will survive. But hope is often disproportionate depending on where you live.

In Africa, more than 100,000 children will develop cancer this year, and the vast majority will die because they have little access to diagnostic and treatment services. This is a stark contrast to high-income countries where 80 percent of pediatric cancer patients will survive.

Led by the Bristol-Myers Squibb Foundation's *SECURE THE FUTURE®* program, the *Global HOPE* (Hematology-Oncology Pediatric Excellence) initiative will address the lack of diagnosis, treatment and care in pediatric hematology-oncology in southern and eastern Africa.

Together with the Texas Children's Cancer and Hematology Centers and Baylor College of Medicine International Pediatric AIDS Initiative at Texas Children's Hospital, the Bristol-Myers Squibb Foundation will partner with the governments of Botswana, Malawi and Uganda to develop a comprehensive treatment network and provide financial and in-kind resources to the program.

Through a combined grant of $100 million, the group will work over the next five years to help create an innovative pediatric hematology-oncology treatment network that will help build long-term capacity to treat and dramatically improve the prognosis of thousands of children with blood disorders and cancer in southern and eastern Africa.

for a targeted siRNA therapy in advanced NASH and with PsiOxus Therapeutics for an "armed" oncolytic virus to address solid tumors. Our collaboration with Enterome focused on microbiome-derived biomarkers and drug targets to be developed as therapeutics for cancer.

In order to ensure resources are applied to the most important opportunities, the company initiated an evolution of our operating model – one that is strengthening our ability to seize opportunities in an increasingly challenging environment.

Delivering for Underserved Communities

Throughout the year, we continued to build and execute programs to help ensure that all patients have access to health care, including our medicines. Through our Bristol-Myers Squibb Foundation, we promoted health equity and better health outcomes for people around the world. Through our Patient Assistance programs, we provided medicines to patients with financial challenges.

Taken together, our commitment to access has been focused on populations in need with a global scope. It has included HIV and cancer in Africa as well as hepatitis C in Asia. It has included cancer care for vulnerable populations, as well as mental health care for veterans in the U.S. And this commitment has included several other programs, including those that help patients who need temporary help paying for their medication.

In 2016, our commitment to good citizenship extended beyond these initiatives. We continued our work with the United Nations Global Compact, as well as our "Go Green" activities at Bristol-Myers Squibb sites to promote sustainability. We provided disaster relief to support affected populations in Haiti, Ecuador and Japan. And we joined the White House Moonshot Initiative, as we share its goal of accelerating new treatments and, eventually, finding a cure for cancer.

We also put in place an exciting new initiative to provide cancer care to children in sub-Saharan Africa. Formally PAGE 8 ▶

K.T. JONES

FINDING PURPOSE IN A CANCER DIAGNOSIS

K.T. Jones was getting fitted for a tuxedo for his wedding when he noticed his bow tie wasn't cooperating.

"I couldn't get the tie straight," he recalled. "Every time I adjusted the tie it would always be slightly slanted."

It was then that he noticed a lump in his neck.

Though he thought he had just pulled a muscle at the gym the day before, K.T. visited a nearby hospital where a physician examined the lump and told him to have a biopsy as soon as he got home from his honeymoon.

Shortly after celebrating his marriage to his wife, Kristine, tests revealed K.T. had Hodgkin lymphoma.

"I thought my life was getting ready to begin, not come to an end," he said. For the next decade, K.T. juggled family life and work with chemotherapy treatments and ultimately heart-breaking news that his cancer had once again recurred.

"I'd have good results and then shortly after stopping treatments, the cancer would start to grow again," said K.T., who lives in Delaware. "I didn't have any other option than to keep trying."

> "I THOUGHT **MY LIFE** WAS GETTING READY TO BEGIN, NOT COME TO AN END."

After nearly 12 years of battling Hodgkin lymphoma and one treatment after another, an oncologist told K.T. that he only had a few months to live and that he better get his affairs in order. Rather than tell his wife the grim news, K.T. got determined.

After countless hours of research on the internet, K.T.'s perseverance led to a clinical trial for nivolumab in 2013.

"If I didn't continue to push, I would have never found it," K.T. recalled. "But I hammered on and it was that fight that got me into a clinical trial."

K.T. soon started to feel better and his health improved. Nearly four years later, K.T.'s latest tests did not detect any cancer. He and Kristine enjoy quality time together, he's taken up walking every day and he's followed his artistic passion by becoming a freelance photographer.

He's also filled with a new sense of purpose.

"I know other people who are fighting cancer now who I've helped find clinical trials," K.T. said. "That's my purpose for being here."

ACHIEVEMENTS

SELECTION OF AWARDS AND RECOGNITIONS

Ranked among the top 10 on ***Corporate Responsibility*** magazine's list of the **100 Best Corporate Citizens** for the 8th consecutive year.

Recognized by ***Forbes*** as one of **America's Best Employers for 2016**. Our employees are committed to our mission to discover, develop and deliver innovative medicines that help patients prevail over serious diseases.

Honored by the **National Gay & Lesbian Chamber of Commerce** in collaboration with its partners in the National Business Inclusion Consortium as a Top 30 Best-of-the-Best company.

2016 Working Mother 100 Best Companies - the 19th consecutive year that our company has made the list. The company was recognized for on-and near-site childcare options and full benefit eligibility.

launched in 2017, *Global HOPE* is a first-of-its-kind pediatric hematology-oncology treatment network – one designed to develop capacity and infrastructure to treat and dramatically improve the prognosis and outcomes of thousands of children with cancer in southern and eastern Africa.

Strengthening Our Company Culture

Throughout the past year, we continued our focus on the 25,000 people who make it all possible – our extraordinary colleagues around the world.

We placed an increased priority on making sure that the experience of Bristol-Myers Squibb employees is engaging, challenging and rewarding. We increased our focus on diversity and on creating a powerfully inclusive work experience. We launched our new global People & Business Resource Groups (PBRGs), an evolution of the U.S.-based Employee Resource Groups, which leverage employees' business insights and diverse perspectives. And we advanced our WorkPlace initiative, making significant physical changes to buildings and offices to create an even more energizing, collaborative work environment.

At Bristol-Myers Squibb, our people are our competitive advantage, and throughout 2016, we continued to celebrate and strengthen that fact.

Looking Forward

As I look ahead, I am excited by the tremendous opportunities we have to advance the science and continue making a difference in the lives of our patients and their families. It is through this important work that we will deliver long-term value for our shareholders.

The appointment of Dr. Thomas Lynch, Jr. as our Chief Scientific Officer is an important step in our evolution as our company transitions to its next phase of growth. Tom brings a unique perspective to our business through his deep experience as a clinical researcher, leader of large research centers and a practicing physician. We are fortunate to have him leading our R&D organization.

Building on our progress in 2016, we are well positioned to navigate the increasing complexity and competitiveness of our industry, including the very important conversations about pricing and access. We will continue to draw on the energy, vision and diversity of our workforce to discover, develop and deliver transformational medicines. And we will continue to do all that we can to make sure that all patients – regardless of their circumstances – have access to quality healthcare.

This is who we are. This is what we do.

Giovanni Caforio, M.D., Chief Executive Officer
March 9, 2017

Message from the Chairman of the Board

As I retire from the Board of Directors – after nearly 20 years with the company – I have been reflecting on the significant transformation that Bristol-Myers Squibb has undergone to become a leading Biopharma company known for its innovation and focus on patients. We have become a company known for leading scientific discoveries and innovative medicines focused on the most challenging diseases. And we continue to evolve and change today, knowing that we must sustain the platform for long-term value creation.

In 1998, I joined Bristol-Myers Squibb because I wanted to work for a company that was making a difference in people's lives, particularly those struggling with cancer. Over a decade later, I was given the extraordinary opportunity to lead that company – to take that company to the next level and help it reach its potential.

I became Chief Executive Officer at a pivotal and exciting time for Bristol-Myers Squibb. We had just made our way through a period of adjustment and were in the midst of our Biopharma transformation. We faced unprecedented challenges and opportunities as we transformed Bristol-Myers Squibb to better compete in an ever-changing external environment.

Without question, we rose to the challenges and seized the opportunities, and by 2015, when I stepped down as CEO, Bristol-Myers Squibb was widely recognized for pioneering the promising field of Immuno-Oncology, for having an increasingly diversified portfolio of innovative medicines and for delivering strong shareholder return.

Over the past two years, Giovanni has continued to evolve our company, and I am confident that we are well positioned for long-term growth. Today, we are highly focused on transformational medicines in core therapeutic areas, such as oncology, cardiovascular, fibrosis and immunoscience. In this innovation-based industry, there are unique challenges and risks, as we have experienced in the recent past, but I believe the strength of our science and having the best people in the business position us well to continue delivering innovation that makes a difference in the lives of patients.

There is no better example of this than the addition of Dr. Thomas Lynch, Jr. as our company's new Chief Scientific Officer. His experience and focus on patients over his career makes him the right choice to lead our R&D organization.

In closing, I also want to welcome the three new Directors who recently joined our company's Board – Bob Bertolini, Matt Emmens and Ted Samuels. Each brings to our company important experience and skills that will further strengthen and complement our Board.

As Bristol-Myers Squibb continues to evolve and grow, our focus on our patients and our people will continue to set us apart. It's why I am so proud of our company. It's why I am so excited for our future.

Thank you.

Lamberto Andreotti, Chairman
March 9, 2017

BRISTOL-MYERS SQUIBB **Development Pipeline**

ONCOLOGY

PHASE I

Glypican-3 ADC^
--Hepatocellular Carcinoma

Anti-TIGIT^
--Solid Tumors

Anti-GITR^
--Solid Tumors

Cabiralizumab✦^
--Solid Tumors

Anti-CD73^
--Solid Tumors

Anti-OX40^
--Solid Tumors

Anti-LAG3^
--Solid Tumors & Hematologic Malignancies

IDO Inhibitor^
--Solid Tumors

Mesothelin-ADC^
--Solid Tumors

HuMax-IL8
--Solid Tumors

Anti-HER2✦ ++
--Breast Cancer

BET Inhibitor
--Solid Tumors

Ulocuplumab
--Hematologic Malignancies

Lirilumab✦^
--Solid Tumors

Lirilumab✦ + *Empliciti*✦
--Multiple Myeloma

Urelumab + *Empliciti*✦
--Multiple Myeloma

***Opdivo*✦**
--Solid Tumors & Hematologic Malignancies

***Opdivo*✦ + *Yervoy*✦**
--Solid Tumors

***Opdivo*✦**
--Pediatric

PHASE II

***Opdivo*✦**
--Non-Hodgkin Lymphoma (Follicular Lymphoma)

--Non-Hodgkin Lymphoma (Diffuse Large B-Cell Lymphoma)

--MSI+ Colon

--Ovarian✦#

--2nd line Hepatocellular Carcinoma

--CNS Lymphoma

Anti-LAG3 + *Opdivo*✦
--Solid Tumors

Lirilumab✦
--Hematologic Malignancies

Urelumab + *Opdivo*✦
--Solid Tumors & Hematologic Malignancies

Anti-Fucosyl GM1^
--Small Cell Lung Cancer

Empliciti
--1st line Multiple Myeloma Pomalidomide Combo

***Yervoy*✦**
--Adolescent Melanoma

***Sprycel*✦**
--Pediatric

PHASE III

***Opdivo*✦**
--Adjuvant Melanoma

--2nd line Small Cell Lung Cancer

--Unresectable Non-Small Cell Lung Cancer

--1st line Head & Neck

--3rd line Gastric#

--1st line Glioblastoma

--2nd line Glioblastoma

--1st line Hepatocellular Carcinoma

--Adjuvant Bladder

--2nd line Esophageal

--Adjuvant Esophageal/ Gastroesophageal

***Opdivo*✦ + *Yervoy*✦**
--1st line Non-Small Cell Lung Cancer

--1st line Small Cell Lung Cancer

--1st line Renal Cell Carcinoma

--1st line Head & Neck

--1st line Gastric

--1st line Esophageal

--1st line Mesothelioma

***Opdivo*✦ + *Empliciti*✦**
--Multiple Myeloma

***Empliciti*✦**
--1st line Multiple Myeloma Revlimid Combo

PROSTVAC✦ ++
--Metastatic Castration - Resistant Prostate Cancer

APPROVED INDICATIONS

***Opdivo*✦**
--Previously treated Metastatic Melanoma

--1st line BRAF wild-type Metastatic Melanoma

--Melanoma across BRAF status

--Previously treated Metastatic Squamous Non-Small Cell Lung Cancer

--Previously treated Metastatic Non-Squamous Non-Small Cell Lung Cancer

--Previously treated advanced Renal Cell Carcinoma

--Advanced Hodgkin Lymphoma

--Previously treated Metastatic Head & Neck Cancer

--Previously treated Metastatic Urothelial Carcinoma◊

***Opdivo*✦ + *Yervoy*✦**
--BRAF wild-type Metastatic Melanoma

--Melanoma across BRAF status

***Yervoy*✦**
--Metastatic Melanoma

--Adjuvant Melanoma

***Empliciti*✦**
--Relapsed/Refractory Multiple Myeloma Revlimid Combo

***Sprycel*✦**
--1st line Chronic Myelogenous Leukemia

--Refractory Chronic Myelogenous Leukemia

Note: Above pipeline excludes clinical collaborations

✦ Development Partnership
Empliciti: AbbVie; ***Sprycel***: Otsuka; ***Opdivo, Yervoy***: Ono Pharmaceutical (our collaboration with Ono also includes other early stage compounds); **PROSTVAC:** Bavarian Nordic; **Lirilumab:** Innate Pharma; **Anti-HER2:** F-star Alpha Ltd.; **Cabiralizumab:** Five Prime Therapeutics; ***Eliquis:*** Pfizer; **Galectin-3 Inhibitor:** Galecto Biotech AB; **Pentraxin-2:** Promedior; **HSP47:** Nitto Denko Corporation

^ Trial(s) exploring various combinations
# Partner-run study
++ Option rights

BRISTOL-MYERS SQUIBB **Development Pipeline**

IMMUNOSCIENCE

PHASE I

TYK2 Inhibitor (2)
--Autoimmune Diseases

PD-L1 Inhibitor
--Autoimmune Diseases

BTK Max
--Rheumatoid Arthritis

S1P1
--Autoimmune Diseases

Anti-IP10
--Ulcerative Colitis

Anti-PD-L1
--Sepsis

***Opdivo*✦**
--Sepsis

PHASE II

Lulizumab
--Lupus

BTK Inhibitor
--Rheumatoid Arthritis

Anti-CD40L
--Autoimmune Disease

TYK2 Inhibitor (1)
--Psoriasis

PHASE III

Orencia
--Lupus Nephritis

--Psoriatic Arthritis

--Sjogren's Syndrome

Nulojix
--Switch from CNI Renal Transplant

APPROVED INDICATIONS

Orencia
--Rheumatoid Arthritis Intravenous

--Rheumatoid Arthritis Subcutaneous

--Rheumatoid Arthritis Auto Injector

--Juvenile Idiopathic Arthritis

--Early Rheumatoid Arthritis

Nulojix
--De Novo Renal Transplant

CARDIOVASCULAR

PHASE I

Factor XIa Inhibitor
--Thrombosis

PHASE II

Nitroxyl Donor
--Heart Failure

PAR4 Antagonist
--Thrombosis/Stroke

PHASE III

***Eliquis*✦**
--Pediatric VTE Treatment

APPROVED INDICATIONS

***Eliquis*✦**
--VTE Prevention, Orthopedic Surgery

--Stroke Prevention in Atrial Fibrillation

--VTE Treatment

FIBROTIC DISEASES

PHASE I

Galectin-3 Inhibitor✦ ++
--Idiopathic Pulmonary Fibrosis

PEG-FGF21 (2)
--Fibrosis

HSP47✦
--Fibrosis

PHASE II

LPA1 Antagonist
--Fibrosis

PEG-FGF21 (1)
--Fibrosis

Pentraxin-2✦ ++
--Myelofibrosis

--Idiopathic Pulmonary Fibrosis

GENETICALLY DEFINED DISEASES

PHASE I

Anti-Myostatin
--Duchenne Muscular Dystrophy

Anti-eTau
--Progressive Supranuclear Palsy

Data as of January 1, 2017
◊ Approved by the FDA February 2, 2017

ENJOYING LIFE'S SIMPLE PLEASURES

Dagmar has a vibrant and dynamic personality that she shares in front of a live studio audience as co-host of the successful weekday talk show, "Día a Día con Raymond y Dagmar," in Puerto Rico.

"CANCER DOES NOT EQUAL DEATH. CANCER EQUALS FIGHT. THE FIGHT **FOR SURVIVAL**."

In 2008, Dagmar experienced a persistent soreness in her throat. At first, she attributed it to her line of work, but after some time, Dagmar knew she had to listen to her body and go to the doctor. A biopsy discovered she had head and neck cancer.

Dagmar would remain away from the cameras for several months to receive chemotherapy and radiation. Through the pain, worry and unknown, Dagmar remained hopeful and focused her time on life's simple pleasures, especially her walks on the beach.

"After being diagnosed with cancer, I had more appreciation for the little moments in life. Walking on the beach and hearing the waves, feeling the salt of the water and putting my feet in the sand all became beautiful moments for me," said Dagmar.

Dagmar returned to work in 2009 and thought the worst was behind her. However, in 2015 a scan showed that the cancer had metastasized to Dagmar's lung.

Receiving the news that the cancer had returned brought back the same emotions as did her first diagnosis, except this time Dagmar knew the questions to ask.

"You are not afraid because you know the way and have hope there is a way forward because you have survived," said Dagmar.

After surgery on her lungs, Dagmar's oncologist recommended *Opdivo*. Dagmar began treatment in June 2015 and returned to her routine way of life, including reprising her role as co-host of "Día a Día." In 2016, the FDA approved *Opdivo* for the treatment of patients with recurrent or metastatic squamous cell carcinoma of the head and neck with disease progression on or after platinum-based therapy.

Today, Dagmar uses her experience and platform to encourage those with cancer to never give up. For her, the most important thing a patient can hold onto is the belief in the possible.

"There is a door and it is open. You cannot see it right now, but I can tell you that there is a door that you can go through," said Dagmar.

BRISTOL-MYERS SQUIBB
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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. Refer to the Summary of Abbreviated Terms at the end of this 2016 Annual Report for terms used throughout the document.

In 2016, we received 19 approvals for new medicines and additional indications and formulations of currently marketed medicines in major markets (the U.S., EU and Japan) as well as announced multiple regulatory milestone achievements for *Opdivo*. We also encountered a significant setback in first-line lung cancer with the announcement of negative results of CheckMate-026 and we announced we would not pursue an accelerated regulatory pathway for the *Opdivo+Yervoy* combination therapy in first-line lung cancer. We are pursuing a broad program in first-line lung cancer encompassing combinations of *Opdivo+Yervoy, Opdivo* and chemotherapy and *Opdivo* combined with *Yervoy* and chemotherapy. We are also committed to investigating *Opdivo* in combination with *Yervoy* and other anti-cancer agents for other tumor types. We continue to believe that the breadth and depth of our IO portfolio positions us well for the future. We have 10 new IO compounds in clinical development and trials across 35 different tumor types. In October 2016, we announced an evolution to our operating model which is discussed in "—Strategy" below.

Our revenues increased by 17% in 2016 as a result of higher *Opdivo*, *Eliquis* and *Orencia* product sales. These impacts were partially offset by the expiration of our U.S. commercialization rights to *Abilify**, the transfer of *Erbitux** rights in North America and increased competition for *Reyataz, Sustiva* and *Baraclude* in certain markets.

The increase in GAAP EPS from $0.93 in 2015 to $2.65 in 2016 was due to higher revenues, divestiture gains and royalties and lower R&D license and asset acquisition charges partially offset by higher *Eliquis* profit sharing and *Opdivo* related expenses. The tax impact of specified items and earnings mix contributed to the change in the effective tax rate. After adjusting for divestiture gains, R&D license and asset acquisition charges and other specified items, non-GAAP EPS increased from $2.01 in 2015 to $2.83 in 2016.

Highlights

The following table summarizes our financial information:

Dollars in Millions, except per share data	Year Ended December 31, 2016	2015	2014
Total Revenues	**$ 19,427**	$ 16,560	$ 15,879
Total Expenses	**13,512**	14,483	13,498
Earnings before Income Taxes	**5,915**	2,077	2,381
Provision for Income Taxes	**1,408**	446	352
Effective tax rate	***23.8%***	*21.5%*	*14.8%*
Net Earnings Attributable to BMS			
GAAP	**4,457**	1,565	2,004
Non-GAAP	**4,750**	3,378	3,085
Diluted Earnings Per Share			
GAAP	**2.65**	0.93	1.20
Non-GAAP	**2.83**	2.01	1.85
Cash, Cash Equivalents and Marketable Securities	**9,069**	8,930	11,843

Our non-GAAP financial measures, including non-GAAP earnings and related EPS information, are adjusted to exclude specified items that 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 the 19 significant approvals received in 2016.

Product	Date	Approval
Opdivo	December 2016	JMHLW manufacturing and marketing approval for the treatment of relapsed or refractory cHL, received by our alliance partner, Ono.
	November 2016	EC approval for the treatment of adult patients with relapsed or refractory cHL after ASCT and treatment with brentuximab vedotin.
	November 2016	FDA approval for the treatment of patients with SCCHN with disease progression on or after platinum-based therapy.
	August 2016	JMHLW manufacturing and marketing approval for the treatment of unresectable or metastatic RCC, received by our alliance partner, Ono.
	May 2016	FDA approval for the treatment of patients with cHL who have relapsed or progressed after auto-HSCT and post-transplantation brentuximab vedotin.
	April 2016	EC approval for the treatment of previously treated RCC.
	April 2016	EC approval for the treatment of previously treated patients with metastatic NSQ NSCLC.
	February 2016	JMHLW manufacturing and marketing approval for the treatment of previously untreated unresectable melanoma.
Opdivo+ Yervoy	May 2016	EC approval for the treatment of unresectable or metastatic melanoma, regardless of BRAF mutational status.
	January 2016	FDA expanded use for the treatment of previously untreated unresectable or metastatic melanoma, regardless of BRAF mutational status.
Empliciti	September 2016	JMHLW manufacturing and marketing approval in combination with *Revlimid** and dexamethasone for the treatment of multiple myeloma.
	May 2016	EC approval for the treatment of multiple myeloma as combination therapy with *Revlimid** and dexamethasone in patients who have received at least one prior therapy.
Orencia	September 2016	EC approval in combination with MTX for the treatment of highly active and progressive disease in adult patients with RA not previously treated with MTX.
	July 2016	Announced the U.S. commercial launch of the *Orencia* ClickJect Autoinjector, a new self-administered autoinjector for adults with moderate to severe RA.
	May 2016	Announced the commercial launch in Japan of the *Orencia* ClickJect Autoinjector for adults with moderate to severe RA.
Hepatitis C Franchise	December 2016	JMHLW manufacturing and marketing approval of *Ximency* combination tablet which contains daclatasvir, asunaprevir and beclabuvir for the treatment of HCV in genotype 1.
	February 2016	FDA approval of *Daklinza* for use with sofosbuvir for the treatment of chronic HCV in genotypes 1 and 3 in three additional patient populations.
	January 2016	EC approval of *Daklinza* for use with sofosbuvir for the treatment of chronic HCV in three new patient populations.
Reyataz	June 2016	EC approval for *Reyataz* oral powder indicated in HIV-infected children at least 3 months/5 kg and the optimized *Reyataz* capsule pediatric dosing recommendations.

Refer to "—Product and Pipeline Developments" for all of the developments in our marketed products and late-stage pipeline in 2016.

Strategy

Our focus as a specialty biopharmaceutical company is on discovering, developing and delivering transformational medicines that address serious unmet medical needs. 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.

We are developing new medicines in the following core therapeutic areas: oncology, including IO, immunoscience, cardiovascular, fibrotic disease and GDD. In IO, we continue to invest through new studies in monotherapy, combination therapy and with new molecules and mechanisms of action. Delivering promising new treatment options to patients with lung cancer as quickly as possible has been and continues to be a priority for our company. We continue to invest significantly in our deep pipeline of innovative medicines covering a broad array of cancers and have entered into several collaboration agreements to research and develop *Opdivo* and other approved or investigational oncology agents in combination regimens, including with *Yervoy*. We remain focused and well-resourced in our first-line lung development programs, and continuously look for ways to strengthen our broad portfolio and bring forward new treatments. Beyond cancer, we continue to strengthen our early stage portfolio in immunoscience, cardiovascular, and fibrotic diseases internally and through our partnerships with a diverse group of companies and academic institutions in new and expanded research activities. We believe our internal and external focus is differentiated and contributes to the transformation of our portfolio.

Our commercial model continues to evolve and our marketed product portfolio is growing in a manner consistent with our overall strategy. We continue to drive growth of *Opdivo* by expanding into additional indications and tumor types both as a monotherapy and in combination with *Yervoy* and other anti-cancer agents. Beyond *Opdivo* and *Yervoy*, we are building on the continued success and remain strongly committed to *Eliquis*, *Orencia* and *Sprycel.* Our commercial infrastructure is uniquely leveraged for potential growth.

In 2016, we announced plans for a multi-year evolution to our operating model by focusing commercial and R&D resources on key brands and markets, delivering leaner administrative functions and streamlining our manufacturing network to reflect the importance of biologics in our current and future portfolio. The new operating model will enable us to deliver the strategic, financial and operational flexibility necessary to invest in the highest priorities.

Looking ahead, we will continue to implement our biopharma strategy by driving the growth of key brands, executing product launches, investing in our diverse and innovative pipeline, including through business development, focusing on prioritized markets, increasing investments in our biologics manufacturing capabilities and maintaining a culture of continuous improvement.

Acquisition and Licensing Arrangements

Acquisition and licensing transactions 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 fibrotic diseases. Significant transactions entered into in 2016 are summarized below:

Nitto Denko

In December 2016, BMS and Nitto Denko entered into an exclusive worldwide license agreement granting BMS the right to develop and commercialize Nitto Denko's investigational siRNA molecules targeting HSP47 in vitamin A containing formulations, which includes Nitto Denko's lead asset ND-L02-s0201, currently in Phase Ib study for the treatment of advanced liver fibrosis. The agreement also grants BMS the option to receive exclusive licenses for HSP47 siRNAs in vitamin A containing formulations for the treatment of lung fibrosis and other organ fibrosis.

Cormorant

In July 2016, BMS acquired all of the outstanding shares of Cormorant, a private pharmaceutical company focused on the development of therapies for cancer and rare diseases. The acquisition provides BMS with full rights to Cormorant's lead candidate HuMax-IL8, a Phase I/II monoclonal antibody that represents a potentially complementary IO mechanism of action to T-cell directed antibodies and co-stimulatory molecules.

Padlock

In April 2016, BMS acquired all of the outstanding shares of Padlock, a private biotechnology company dedicated to creating new medicines to treat destructive autoimmune diseases. The acquisition provides BMS with full rights to Padlock’s PAD inhibitor discovery program focused on the development of potentially transformational treatment approaches for patients with rheumatoid arthritis. Padlock’s PAD discovery program may have additional utility in treating systemic lupus erythematosus and other autoimmune diseases.

Portola

In February 2016, BMS and Pfizer entered into a collaboration and license agreement with Portola to develop and commercialize the investigational agent andexanet alfa in Japan. Andexanet alfa is designed to reverse the anticoagulant activity of Factor Xa inhibitors, including *Eliquis*. BMS and Pfizer are responsible for all development and regulatory activities for andexanet alfa in Japan and for exclusively commercializing the agent in Japan. Portola retains the rights to andexanet alfa outside of Japan and will be responsible for the manufacturing supply.

In addition to the above transactions, in 2016, BMS provided notice of terminations to the California Institute for Biomedical Research pertaining to a research collaboration agreement for the development of anti-fibrotic preclinical compounds and Dual Therapeutics, LLC pertaining to a research collaboration agreement for the development of anti-cancer preclinical compounds.

RESULTS OF OPERATIONS

Regional Revenues

The composition of the changes in revenues was as follows:

	Year Ended December 31,			2016 vs. 2015		2015 vs. 2014	
	Total Revenues			Analysis of % Change		Analysis of % Change	
Dollars in Millions	**2016**	2015	2014	Total Change	Foreign Exchange[b]	Total Change	Foreign Exchange[b]
United States	**$ 10,720**	$ 8,188	$ 7,716	31 %	—	6 %	—
Europe	**4,215**	3,491	3,592	21 %	(2)%	(3)%	(17)%
Rest of the World	**3,964**	4,142	3,459	(4)%	(4)%	20 %	(13)%
Other[a]	**528**	739	1,112	(29)%	N/A	(34)%	N/A
Total	**$ 19,427**	$ 16,560	$ 15,879	17 %	(2)%	4 %	(7)%

(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.

The increase in U.S. revenues in 2016 resulted from higher demand for *Opdivo*, *Eliquis* and *Daklinza*, partially offset by the full year impact of the expiration/transfer of commercialization rights to *Abilify** and *Erbitux**. Average U.S. net selling prices increased by approximately 5% after charge-backs, rebates and discounts. Refer to "—Product Revenues Commentary" below for additional information.

The increase in U.S. revenues in 2015 resulted from the launch of *Opdivo* and *Daklinza* and higher demand for *Eliquis* and *Sprycel* partially offset by the partial year impact of the expiration/transfer of commercialization rights to *Abilify** and *Erbitux**. Average U.S. net selling prices increased by approximately 3% after charge-backs, rebates and discounts.

The increase in Europe revenues in 2016 resulted from higher demand for *Opdivo* and *Eliquis* partially offset by lower demand for *Yervoy*. Europe revenues in 2015 included the recognition of approximately $170 million of previously deferred *Daklinza* revenue in France.

The decrease in Europe revenues in 2015 resulted from unfavorable foreign exchange and the expiration of commercialization rights to *Abilify** in the EU in June 2014 partially offset by the launch of *Daklinza* in certain EU countries in the third quarter of 2014 and higher demand for *Eliquis*. Europe revenues in 2015 were also impacted by the recognition of previously deferred *Daklinza* revenue in France.

The decrease in Rest of the World revenues in 2016 resulted from increased competition for the Hepatitis C Franchise in Japan and unfavorable foreign exchange (primarily Latin America) partially offset by higher demand for *Opdivo* and *Eliquis.*

The increase in Rest of the World revenues in 2015 resulted from the launch of the *Daklinza* and *Sunvepra* dual regimen in Japan in the third quarter of 2014 and higher demand for *Eliquis*, partially offset by unfavorable foreign exchange (primarily in Japan).

The decrease in Other revenues in 2016 resulted from the expiration of certain supply arrangements. The decrease in Other revenues in 2015 resulted from the expiration/transfer of certain licensing and royalty rights. Refer to "Item 8. Financial Statements—Note 3. Alliances" for further discussion of the alliances.

No single country outside the U.S. contributed more than 10% of total revenues in 2016, 2015 or 2014 except for Japan which contributed 10% of total revenues in 2015.

Gross-to-Net Adjustments

We recognize revenue net of gross-to-net adjustments that are further described in "—Critical Accounting Policies". Our share of certain *Abilify** and *Atripla** revenues is reflected net of all gross-to-net adjustments in alliance and other revenues. Although not presented as a gross-to-net adjustment in the tables below, our share of *Abilify** and *Atripla** gross-to-net adjustments were approximately $460 million in 2016, $1.1 billion in 2015 and $1.6 billion in 2014. These gross-to-net adjustments decreased in 2016 and 2015 due to the expiration of our U.S. commercialization rights to *Abilify** in April 2015.

The activities and ending reserve balances for each significant category of gross-to-net adjustments were as follows:

Dollars in Millions	Charge-Backs and Cash Discounts	Medicaid and Medicare Rebates	Other Rebates, Returns, Discounts and Adjustments	Total
Balance at January 1, 2015	$ 56	$ 267	$ 584	$ 907
Provision related to sale made in:				
Current period	1,043	878	1,315	3,236
Prior period	—	(19)	(96)	(115)
Returns and payments	(1,002)	(688)	(867)	(2,557)
Foreign currency translation and other	—	(4)	(46)	(50)
Balance at December 31, 2015	$ 97	$ 434	$ 890	$ 1,421
Provision related to sale made in:				
Current period	**1,582**	**1,438**	**1,797**	**4,817**
Prior period	**—**	**(56)**	**(99)**	**(155)**
Returns and payments	**(1,553)**	**(1,296)**	**(1,397)**	**(4,246)**
Foreign currency translation and other	**—**	**—**	**(31)**	**(31)**
Balance at December 31, 2016	**$ 126**	**$ 520**	**$ 1,160**	**$ 1,806**

The reconciliation of gross product sales to net product sales by each significant category of gross-to-net adjustments was as follows (excluding alliance and other revenues such as *Abilify** and *Atripla**):

	Year Ended December 31,			% Change	
Dollars in Millions	**2016**	2015	2014	2016 vs. 2015	2015 vs. 2014
Gross product sales	**$ 22,364**	$ 17,166	$ 13,793	30%	24%
Gross-to-Net Adjustments					
Charge-backs and cash discounts	**(1,582)**	(1,043)	(755)	52%	38%
Medicaid and Medicare rebates	**(1,382)**	(859)	(551)	61%	56%
Other rebates, returns, discounts and adjustments	**(1,698)**	(1,219)	(827)	39%	47%
Total Gross-to-Net Adjustments	**(4,662)**	(3,121)	(2,133)	49%	46%
Net product sales	**$ 17,702**	$ 14,045	$ 11,660	26%	20%

Changes in gross-to-net adjustments are primarily a function of changes in sales volume and payer channel mix, contractual and legislative discounts and rebates. Gross-to-net adjustments have increased at a higher rate than gross product sales in 2016 and 2015 primarily because of the increasing mix of U.S. versus international gross product sales where the adjustments are much higher.

- Charge-backs and cash discounts increased in both periods primarily due to higher *Eliquis* and *Opdivo* product sales in the U.S.
- Medicaid and Medicare rebates increased in both periods primarily due to higher *Eliquis* product sales in the U.S.
- Other rebates, returns, discounts and adjustments increased in 2016 primarily due to higher worldwide sales of *Eliquis* and *Opdivo* and increased in 2015 due to higher sales of *Eliquis* and additional rebates for *Daklinza* of approximately $180 million for amounts previously deferred in France.

Product Revenues

Dollars in Millions	Year Ended December 31, 2016	2015	2014	% Change 2016 vs. 2015	% Change 2015 vs. 2014
Oncology					
Empliciti (elotuzumab)	$ 150	$ 3	$ —	**	N/A
U.S.	133	3	—	**	N/A
Non-U.S.	17	—	—	N/A	N/A
Erbitux (cetuximab)*	—	501	723	(100)%	(31)%
U.S.	—	487	682	(100)%	(29)%
Non-U.S.	—	14	41	(100)%	(66)%
Opdivo (nivolumab)	3,774	942	6	**	**
U.S.	2,664	823	1	**	**
Non-U.S.	1,110	119	5	**	**
Sprycel (dasatinib)	1,824	1,620	1,493	13 %	9 %
U.S.	969	829	671	17 %	24 %
Non-U.S.	855	791	822	8 %	(4)%
Yervoy (ipilimumab)	1,053	1,126	1,308	(6)%	(14)%
U.S.	802	602	709	33 %	(15)%
Non-U.S.	251	524	599	(52)%	(13)%
Cardiovascular					
Eliquis (apixaban)	3,343	1,860	774	80 %	**
U.S.	1,963	1,023	404	92 %	**
Non-U.S.	1,380	837	370	65 %	**
Immunoscience					
Orencia (abatacept)	2,265	1,885	1,652	20 %	14 %
U.S.	1,532	1,271	1,064	21 %	19 %
Non-U.S.	733	614	588	19 %	4 %
Virology					
Baraclude (entecavir)	1,192	1,312	1,441	(9)%	(9)%
U.S.	66	135	215	(51)%	(37)%
Non-U.S.	1,126	1,177	1,226	(4)%	(4)%
Hepatitis C Franchise *(daclatasvir and asunaprevir)*	1,578	1,603	256	(2)%	**
U.S.	827	323	—	**	N/A
Non-U.S.	751	1,280	256	(41)%	**
Reyataz (atazanavir sulfate) Franchise	912	1,139	1,362	(20)%	(16)%
U.S.	484	591	689	(18)%	(14)%
Non-U.S.	428	548	673	(22)%	(19)%
Sustiva (efavirenz) Franchise	1,065	1,252	1,444	(15)%	(13)%
U.S.	901	1,041	1,118	(13)%	(7)%
Non-U.S.	164	211	326	(22)%	(35)%
Neuroscience					
Abilify (aripiprazole)*	128	746	2,020	(83)%	(63)%
U.S.	—	600	1,572	(100)%	(62)%
Non-U.S.	128	146	448	(12)%	(67)%
Mature Products and All Other	2,143	2,571	3,400	(17)%	(24)%
U.S.	379	460	591	(18)%	(22)%
Non-U.S.	1,764	2,111	2,809	(16)%	(25)%

** Change in excess of 100%

Empliciti — a humanized monoclonal antibody for the treatment of multiple myeloma.

- *Empliciti* was launched in the U.S. in December 2015, in the EU in May 2016 and in Japan in September 2016.

*Erbitux** — a monoclonal antibody for the treatment of certain types of metastatic colorectal cancer and SCCHN.

- BMS transferred its rights to *Erbitux** in North America to Lilly in October 2015. Refer to "Item 8. Financial Statements—Note 3. Alliances" for further discussion.

Opdivo — a fully human monoclonal antibody that binds to the PD-1 on T and NKT cells that has been approved and continues to be investigated as an anti-cancer treatment. Refer to "—Significant Product and Pipeline Approvals" for further discussion on the *Opdivo* approvals in 2016 and 2015.

- U.S. and international revenues increased in both periods due to higher demand resulting from the rapid commercial acceptance for several indications including melanoma, head and neck, lung, kidney and blood cancer. We expect competition to increase in 2017.

Sprycel — 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 chronic myeloid leukemia with resistance or intolerance to prior therapy, including *Gleevec** (imatinib meslylate).

- U.S. revenues increased in both periods due to higher average net selling prices and demand.
- International revenues increased in 2016 due to higher demand. International revenues decreased in 2015 due to unfavorable foreign exchange partially offset by higher demand. We may experience a decline in European revenues in the second half of 2017 due to the unfavorable EPO Board of Appeal's decision.

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

- U.S. revenues increased in 2016 due to higher demand as a result of the approvals for adjuvant treatment and the *Opdivo*+*Yervoy* regimen for patients with metastatic melanoma. U.S. revenues decreased in 2015 due to lower demand resulting from the introduction of other IO products being used to treat patients with melanoma, including *Opdivo*.
- International revenues decreased in 2016 due to lower demand resulting from the introduction of other IO products being used to treat patients with melanoma, including *Opdivo*. International revenues decreased in 2015 due to unfavorable foreign exchange.

Eliquis — 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 in both periods due to higher demand resulting from increased commercial acceptance of novel oral anticoagulants and market share gains.

Orencia — a fusion protein indicated for adult patients with moderate to severe active RA 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 in both periods due to higher average net selling prices and demand.
- International revenues increased in both periods due to higher demand partially offset by unfavorable foreign exchange in 2015.

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

- U.S. revenues continued to decrease in both periods due to the loss of exclusivity in September 2014.
- International revenues decreased in 2016 following the loss of exclusivity in South Korea in October 2015. International revenues decreased in 2015 due to unfavorable foreign exchange partially offset by higher demand in certain countries.

Hepatitis C Franchise — *Daklinza* - an NS5A replication complex inhibitor; *Sunvepra* - an NS3 protease inhibitor.

- *Daklinza* was launched in the U.S. in July 2015.
- International revenues decreased in 2016 due to lower demand resulting from increased competition, primarily in Japan. International revenues in 2015 also included the recognition of approximately $170 million of previously deferred *Daklinza* revenue in France. International revenues increased in 2015 due to higher demand following the launch in certain EU countries and Japan in the third quarter of 2014 and the subsequent approvals in other international markets in 2015.
- U.S. and international revenues are expected to significantly decline in 2017 due to lower demand resulting from increased competition.

Reyataz 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**.

- U.S. revenues continued to decrease in both periods due to lower demand resulting from increased competition partially offset by higher average net selling prices in 2016. The loss of exclusivity for *Reyataz* is expected in December 2017 and we may experience a higher decline in revenue in future periods due to generic competition.
- International revenues continued to decrease in both periods due to lower demand resulting from increased competition and unfavorable foreign exchange.

Sustiva 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**.

- U.S. revenues continued to decrease in both periods due to lower demand resulting from increased competition partially offset by higher average net selling prices. The loss of exclusivity for *Sustiva* is expected in December 2017 which may result in the termination of the joint venture agreement with Gilead and may further reduce revenues beyond 2017.
- International revenues continued to decrease in both periods due to *Sustiva's* loss of exclusivity in Europe in November 2013.

*Abilify** — an antipsychotic agent for the treatment of schizophrenia, bipolar mania disorder and major depressive disorder.

- U.S. commercialization rights to *Abilify** expired in April 2015.
- International revenues decreased in both periods following the expiration of our EU commercialization rights in June 2014 and Otsuka becoming the principal for the end customer sales in certain markets.

Mature Products and All Other — includes all other products, including those which have lost exclusivity in major markets, the diabetes alliance products, OTC brands and royalty revenue.

- U.S. revenues decreased in 2016 due to the favorable impact of the sales return reserve reduction for *Plavix** of $63 million in 2015. U.S. revenues decreased in 2015 primarily due to the diabetes business divestiture in February 2014.
- International revenues decreased in 2016 due to the expiration of certain supply arrangements, lower sales due to the divestiture of certain mature and other products, increased competition for OTC products and unfavorable foreign exchange. International revenues decreased in 2015 due to the expiration/transfer of certain licensing and royalty rights, the diabetes business divestiture, unfavorable foreign exchange and continued generic erosion.

Estimated End-User Demand

Pursuant to the SEC Consent Order described below under "—SEC Consent Order", we monitor the level of inventory 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. No U.S. products had estimated levels of inventory in the distribution channel in excess of one month on hand at December 31, 2016. Below are international products that had estimated levels of inventory in the distribution channel in excess of one month on hand at September 30, 2016.

> *Dafalgan*, an analgesic product sold principally in Europe, had 1.2 months of inventory on hand internationally at direct customers compared to 1.2 months of inventory on hand at June 30, 2016. The level of inventory on hand was primarily due to the ordering patterns of pharmacists in France.
>
> *Efferalgan*, an analgesic product sold principally in Europe, had 1.1 months of inventory on hand internationally at direct customers compared to 1.2 months of inventory on hand at June 30, 2016. The level of inventory on hand was primarily due to the ordering patterns of pharmacists in France.
>
> *Fervex*, a cold and flu product, had 4.8 months of inventory on hand at direct customers compared to 4.2 months of inventory on hand at June 30, 2016. The level of inventory on hand was primarily in France to support product seasonality.
>
> *Perfalgan*, an analgesic product, had 2.4 months of inventory on hand internationally at direct customers compared to 2.9 months of inventory on hand at June 30, 2016. The level of inventory on hand was primarily in the Gulf Countries and Saudi Arabia due to extended delivery lead time.

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, which account for approximately 95% of total gross sales of U.S. products. Factors that may influence our estimates include generic competition, seasonality of products, 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 such, all of the information required to estimate months on hand in the direct customer distribution channel for non-U.S. business for the year ended December 31, 2016 is not available prior to the filing of this annual report on Form 10-K. We will disclose any product with levels of inventory in excess of one month on hand or expected demand, subject to a de minimis exception, in the next quarterly report on Form 10-Q.

Expenses

				% Change	
Dollar in Millions	**2016**	2015	2014	2016 vs. 2015	2015 vs. 2014
Cost of products sold	**$ 4,946**	$ 3,909	$ 3,932	27 %	(1)%
Marketing, selling and administrative	**4,911**	4,841	4,822	1 %	—
Research and development	**4,940**	5,920	4,534	(17)%	31 %
Other (income)/expense	**(1,285)**	(187)	210	**	**
Total Expenses	**$ 13,512**	$ 14,483	$ 13,498	(7)%	7 %

** Change in excess of 100%

Cost of products sold

Cost of products sold include material, internal labor and overhead costs from our owned manufacturing sites, third-party processing costs and other supply chain costs managed by our global manufacturing and supply organization. Cost of products sold also includes royalties and profit sharing attributed to licensed products and alliances, foreign currency hedge settlement gains and losses and the amortization of acquired developed technology costs from business combinations and regulatory approval milestones.

Cost of products sold typically vary between periods as a result of product mix and volume (particularly resulting from royalties and profit sharing expenses in connection with our alliances), changes in foreign currency, price, inflation and costs attributed to the rationalization of manufacturing sites resulting in accelerated depreciation, impairment charges and other stranded costs.

- Cost of products sold increased in 2016 primarily due to higher *Eliquis* profit sharing of $700 million, lower foreign currency hedge settlement gains and higher Puerto Rico excise tax.
- Cost of products sold remained relatively flat in 2015 as higher *Eliquis* profit sharing of $532 million was offset by favorable foreign exchange.

Marketing, selling and administrative

Marketing, selling and administrative expenses include salary and benefit costs, third-party professional and marketing fees, outsourcing fees, shipping and handling costs, advertising and product promotion and other expenses that are not attributed to product manufacturing costs or research and development expenses. Expenses are managed through regional commercialization organizations or global enabling functions such as finance, legal, information technology and human resources. Certain expenses are shared with alliance partners based upon contractual agreements. Expenses typically vary between periods due to new product launch promotional activities.

- Marketing, selling and administrative expenses increased in 2016 due to higher advertising and promotion and additional sales-related activities supporting *Opdivo* partially offset by lower spend for virology products and favorable foreign exchange.
- Marketing, selling and administrative expenses remained relatively flat in 2015 as increased sales-related activities supporting *Eliquis*, *Opdivo* and the Hepatitis C Franchise were offset by favorable foreign exchange and $96 million of additional expenses related to the Branded Prescription Drug Fee in 2014 resulting from changes in IRS guidelines.

Research and development

Research and development activities include discovery research, preclinical and clinical development, drug formulation, as well as clinical trials and medical support of marketed products. Expenses include salary and benefit costs, third-party grants and fees paid to clinical research organizations, supplies, upfront and contingent milestone payments for licensing and asset acquisitions of investigational compounds, IPRD impairment charges and proportionate allocations of enterprise-wide costs. The allocations include facilities, information technology, employee stock compensation costs and other appropriate costs. Certain expenses are shared with alliance partners based upon contractual agreements.

Expenses typically vary between periods for a number of reasons, including the timing of license and asset acquisition charges and IPRD impairment charges.

- Research and development expenses decreased in 2016 due to lower license and asset acquisition charges partially offset by the acceleration and expansion of *Opdivo* development programs and capabilities and lower IPRD impairment charges.
- Research and development expenses increased in 2015 due to higher license and asset acquisition charges and the acceleration and expansion of *Opdivo* development programs and capabilities partially offset by lower IPRD impairment charges and favorable foreign exchange.
- License and asset acquisition charges were $439 million in 2016, $1.7 billion in 2015 and $278 million in 2014 including $374 million for Padlock, Nitto Denko, Flexus and Cormorant in 2016, $1.3 billion for Flexus, Cardioxyl and Five Prime in 2015 and $148 million for iPierian in 2014. A $100 million milestone was paid to former shareowners of Flexus for the commencement of a Phase I clinical trial in 2016.
- IPRD impairment charges were $13 million in 2016, $160 million in 2015 and $343 million in 2014 including $160 million for LPA1 Antagonist in 2015 and $310 million for peginterferon lambda in 2014.
- Accelerated depreciation was $70 million in 2016 and $29 million in 2015 as a result of the expected exit of certain R&D sites in the U.S. Accelerated depreciation results from the reduction in the estimated useful lives of the related assets for each site at various dates through 2020 and is expected to approximate $250 million in 2017.

Refer to "Item 8. Financial Statements—Note 3. Alliances, Note 4. Acquisitions and Divestitures and Note 13. Goodwill and Other Intangible Assets" and "—Acquisition and Licensing Arrangements and —Non-GAAP Financial Measures - Specified Items" for further information.

Other (income)/expense

Other income increased $1.1 billion in 2016 due to higher divestiture gains and royalties and licensing income, and to a lesser extent, lower litigation and other settlements, pension and debt redemption charges.

Other expense decreased $397 million in 2015 due to lower pension charges partially offset by lower divestiture gains.

- Divestiture gains were $576 million in 2016, $196 million in 2015 and $564 million in 2014 including certain OTC products and investigational HIV medicines businesses in 2016, the Mount Vernon, Indiana manufacturing facility, *Erbitux**, *Ixempra** and certain mature and other OTC product businesses in 2015 and the diabetes business in 2014.
- Royalties and licensing income were $719 million in 2016, $383 million in 2015 and $283 million in 2014 including contingent consideration from the *Erbitux** and diabetes business divestitures, including the transfer of certain future royalty rights pertaining to Amylin product sales.
- Pension charges were $91 million in 2016, $160 million in 2015 and $877 million in 2014 including an additional pension charge of $713 million following the purchase of a group annuity contract from The Prudential Insurance Company of America in 2014.
- Provision for restructuring was $109 million in 2016, $118 million in 2015 and $163 million in 2014. In October 2016, the Company announced an evolution to its operating model to drive the Company's 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, streamlined operations and realigned manufacturing capabilities that broaden biologics capabilities to reflect the current and future portfolio. The new operating model will enable the Company to deliver the strategic, financial and operational flexibility necessary to invest in the highest priorities across the Company. Restructuring charges of approximately $300 million are expected to be incurred in 2017 for all actions in addition to the accelerated depreciation impact discussed above.

Refer to "Item 8. Financial Statements—Note 4. Acquisitions and Divestitures, Note 5. Other (Income)/Expense, Note 6. Restructuring and Note 16. Pension and Postretirement Benefit Plans" for further information.

Income Taxes

Dollars in Millions		2016		2015		2014
Earnings Before Income Taxes	$	**5,915**	$	2,077	$	2,381
Provision for income taxes		**1,408**		446		352
Effective tax rate		**23.8%**		21.5%		14.8%

Historically, the effective income tax rate is lower than the U.S. statutory rate of 35% due to our decision to indefinitely reinvest the earnings for certain of our manufacturing operations in low tax jurisdictions such as Switzerland, Ireland and Puerto Rico. BMS operates under a favorable tax grant in Puerto Rico not scheduled to expire prior to 2023.

The tax impact attributed to R&D charges, divestiture transactions and other specified items including additional transfer pricing reserves in 2014 increased the effective tax rate by 1.8% in 2016 and 0.3% in 2015 and reduced the effective tax rate by 5.1% in 2014. No tax benefits were attributed to the R&D charges for Padlock, Flexus and Cormorant in 2016, Flexus and Cardioxyl in 2015 and iPierian in 2014. Lower non-deductible goodwill allocated to business divestitures in 2015 and higher valuation allowances attributed to capital loss carryforwards released in 2015 impacted the effective tax rates. Minimal income taxes were attributed to the diabetes business divestiture gain in 2014 because of the capital loss deduction on the sale of the Amylin shares and tax basis differences resulting primarily from allocated goodwill and Amylin deferred taxes. Unfavorable earnings mix between high and low tax jurisdictions and higher U.S. foreign tax credits resulting from the Puerto Rico excise tax in all periods also impacted the effective tax rates. Refer to "Item 8. Financial Statements—Note 7. Income Taxes" for further information.

Comprehensive U.S. tax reform continues to be discussed and proposed, including among other items, changes to the corporate tax rate, a border adjustment tax and changes to how the U.S. taxes foreign earnings. It is currently uncertain whether any of these changes will be enacted, and if so, the effective dates. If comprehensive tax reform occurs, our financial condition, results of operations and cash flows could be significantly impacted. However, we are unable to determine the potential impact at this time.

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 gains or losses, pension, legal and other contractual settlement charges and debt redemption gains or losses, 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:

	Year Ended December 31,		
Dollars in Millions	**2016**	2015	2014
Cost of products sold[(a)]	**$ 21**	$ 84	$ 151
Additional year of Branded Prescription Drug Fee	**—**	—	96
Process standardization implementation costs	**—**	10	9
Marketing, selling and administrative	**—**	10	105
License and asset acquisition charges	**439**	1,679	278
IPRD impairments	**13**	160	343
Accelerated depreciation and other	**83**	44	—
Research and development	**535**	1,883	621
Provision for restructuring	**109**	115	163
Litigation and other settlements	**40**	158	27
Divestiture gains	**(559)**	(187)	(559)
Royalties and licensing income	**(10)**	—	(10)
Pension charges	**91**	160	877
Intangible asset impairment	**15**	13	11
Written option adjustment	**—**	(123)	32
Loss on debt redemption	**—**	180	45
Other[(b)]	**—**	—	40
Other (income)/expense	**(314)**	316	626
Increase to pretax income	**242**	2,293	1,503
Income taxes on items above	**51**	(480)	(545)
Specified tax charge[(c)]	**—**	—	123
Income taxes	**51**	(480)	(422)
Increase to net earnings	**$ 293**	$ 1,813	$ 1,081

(a) Specified items in cost of products sold are accelerated depreciation, asset impairment and other shutdown costs.
(b) Includes $16 million of additional year of Branded Prescription Drug Fee in 2014.
(c) The 2014 specified tax charge relates to transfer pricing matters.

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

	Year Ended December 31,		
Dollars in Millions, except per share data	**2016**	2015	2014
Net Earnings Attributable to BMS used for Diluted EPS Calculation — GAAP	**$ 4,457**	$ 1,565	$ 2,004
Specified Items	**293**	1,813	1,081
Net Earnings Attributable to BMS used for Diluted EPS Calculation — Non-GAAP	**$ 4,750**	$ 3,378	$ 3,085
Average Common Shares Outstanding — Diluted	**1,680**	1,679	1,670
Diluted EPS Attributable to BMS — GAAP	**$ 2.65**	$ 0.93	$ 1.20
Diluted EPS Attributable to Specified Items	**0.18**	1.08	0.65
Diluted EPS Attributable to BMS — Non-GAAP	**$ 2.83**	$ 2.01	$ 1.85

Financial Position, Liquidity and Capital Resources

Our net cash position was as follows:

Dollars in Millions	2016	2015
Cash and cash equivalents	$ 4,237	$ 2,385
Marketable securities — current	2,113	1,885
Marketable securities — non-current	2,719	4,660
Total cash, cash equivalents and marketable securities	9,069	8,930
Short-term borrowings and current portion of long-term debt	(992)	(139)
Long-term debt	(5,716)	(6,550)
Net cash position	$ 2,361	$ 2,241

Cash, cash equivalents and marketable securities held in the U.S. were approximately $1.1 billion at December 31, 2016. Most of the remaining $8.0 billion is held primarily in low-tax jurisdictions and attributable to earnings expected to be indefinitely reinvested offshore. Cash repatriations are subject to restrictions in certain jurisdictions and may be subject to withholding and additional U.S. income taxes. 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 and maturities of long-term debt.

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. For example, we issued senior unsecured notes in a registered public offering generating proceeds of $1.3 billion and redeemed/repurchased certain notes for nearly $2.0 billion during 2015. Refer to "Item 8. Financial Statements—Note 9. Financial Instruments and Fair Value Measurements" for further details.

The Company's common stock repurchase capacity was increased to $4.1 billion during October 2016. The Company entered into ASR agreements to repurchase approximately $2.0 billion of common stock in February 2017. Refer to "Item 8. Financial Statements—Note 15. Equity" for further details.

Dividend payments were $2.5 billion in 2016 and 2015 and $2.4 billion in 2014. Dividend decisions are made on a quarterly basis by our Board of Directors. Capital expenditures were approximately $1.2 billion in 2016, $800 million in 2015 and $500 million in 2014 and are expected to be approximately $1.0 billion in 2017 and $900 million in 2018. The higher spending is expected as a result of expanding 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.

Our marketable securities portfolio is subject to changes in fair value as a result of interest rate fluctuations and other market factors, which may impact our results of operations. Our investment policy places limits on these investments and the amount and time to maturity 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 8. Financial Statements—Note 9. Financial Instruments and Fair Value Measurements" for further details.

We currently have two separate $1.5 billion revolving credit facilities from a syndicate of lenders. The facilities provide for customary terms and conditions with no financial covenants and were extended to October 2020 and July 2021. Each facility is extendable annually by one year on the anniversary date with the consent of the lenders. No borrowings were outstanding under either revolving credit facility at December 31, 2016 or 2015.

Additional regulations in the U.S. could be passed in the future, 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.

The UK voted to depart from the EU during June 2016. Similar to other companies in our industry, certain regulatory, trade, labor and other aspects of our business will likely be affected over time. However, we currently do not believe that these matters and other related financial effects will have a material impact on our consolidated results of operations, financial position or liquidity. Our sales in the UK represent less than 2% of total revenues.

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 negative long-term credit outlook. BMS's long-term and short-term credit ratings assigned by Standard & Poor's are A+ and A-1+, respectively, with a stable long-term credit outlook. BMS's long-term and short-term credit ratings assigned by Fitch are A- and F2, respectively, with a stable long-term credit 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:

Dollars in Millions	2016	2015	2014
Cash flow provided by/(used in):			
Operating activities	$ 2,850	$ 1,832	$ 3,148
Investing activities	1,480	(1,572)	1,216
Financing activities	(2,445)	(3,351)	(2,437)

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* (120 days to 150 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 $1.0 billion increase in cash provided by operating activities in 2016 was primarily attributable to:

- Higher operating cash flow attributed to increased sales and the timing of cash collections and payments in the ordinary course of business including the wind-down of the *Abilify** alliance in 2015; and
- Lower upfront and milestone payments for alliance and licensing arrangements (approximately $600 million).

Partially offset by:

- Higher income tax payments of approximately $1.4 billion.

The $1.3 billion decrease in cash provided by operating activities in 2015 was primarily attributable to:

- Timing of payments with alliance partners (approximately $700 million), particularly active product ingredient supply and Medicaid rebates for *Abilify**;
- Higher upfront payments for new alliance and licensing agreements (approximately $600 million); and
- Timing of customer collections resulting primarily from higher net product sales including those with extended payment terms for certain new products and less factoring (approximately $400 million).

Partially offset by:

- The timing of other cash collections and payments in the ordinary course of business including among other items, changes in inventory levels, particularly those related to *Abilify**.

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 $3.1 billion decrease in cash used in investing activities in 2016 was primarily attributable to:
- Higher net redemptions of marketable securities of approximately $2.1 billion in 2016 which were reinvested in cash equivalents to manage credit and interest rate risks;
- Lower asset acquisition payments of approximately $800 million. Asset acquisitions include Cormorant and Padlock in 2016 and Flexus and Cardioxyl in 2015; and
- Higher business divestiture proceeds of approximately $600 million including royalties and other contingent consideration received subsequent to the divestiture. Divestitures include certain OTC products and investigational HIV businesses in 2016 and the Mount Vernon, Indiana manufacturing facility, *Ixempra** and mature and other OTC product businesses in 2015.

Partially offset by:
- Higher capital expenditures of approximately $400 million.

The $2.8 billion decrease in cash provided by investing activities in 2015 was primarily attributable to:
- Lower business divestiture proceeds of $2.9 billion. Divestitures include the Mount Vernon, Indiana manufacturing facility, *Ixempra** and mature and other OTC product businesses in 2015 and the diabetes business in 2014;
- Higher asset acquisition payments of approximately $900 million. Asset acquisitions include Flexus and Cardioxyl in 2015 and iPierian in 2014; and
- Higher capital expenditures of approximately $300 million.

Partially offset by:
- Lower net purchases of marketable securities of $1.3 billion in 2015.

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 $906 million decrease in cash used in financing activities in 2016 was primarily attributable to:
- Lower long-term net debt repayments of approximately $700 million; and
- Higher net short-term borrowings of approximately $600 million in 2016, consisting primarily of changes in bank overdrafts.

Partially offset by:
- Repurchase of common stock of approximately $200 million in 2016 (none in 2015).

The $914 million increase in cash used in financing activities in 2015 was primarily attributable to:
- Lower net short-term borrowings of approximately $700 million in 2015, consisting primarily of changes in bank overdrafts.

Contractual Obligations

Payments due by period for our contractual obligations at December 31, 2016 were as follows:

	Obligations Expiring by Period						
Dollars in Millions	Total	2017	2018	2019	2020	2021	Later Years
Short-term borrowings	$ 243	$ 243	$ —	$ —	$ —	$ —	$ —
Long-term debt	6,261	750	—	500	—	—	5,011
Interest on long-term debt[(a)]	4,133	194	194	188	187	187	3,183
Operating leases	783	123	107	86	66	61	340
Purchase obligations	2,799	1,265	537	406	345	156	90
Uncertain tax positions[(b)]	70	70	—	—	—	—	—
Other long-term liabilities[(c)]	526	—	126	67	58	37	238
Total	$ 14,815	$ 2,645	$ 964	$ 1,247	$ 656	$ 441	$ 8,862

(a) Includes estimated future interest payments and periodic cash settlements of derivatives.
(b) Includes only short-term uncertain tax benefits because of uncertainties regarding the timing of resolution.
(c) Does not include pension liability.

In addition to the above, we are committed to an aggregated $10.4 billion of potential future research and development milestone payments to third parties for in-licensing, asset acquisitions and development programs including early-stage milestones of $3.0 billion (milestones achieved through Phase III clinical trials) and late-stage milestones of $7.4 billion (milestones achieved post Phase III clinical trials). Payments generally are due and payable only upon achievement of certain developmental and regulatory milestones for which the specific timing cannot be predicted. Some of these agreements also provide for sales-based milestones aggregating $2.5 billion that we would be obligated to pay to alliance partners upon achievement of certain sales levels in addition to royalties. We also have certain manufacturing, development and commercialization obligations in connection with alliance arrangements. It is not practicable to estimate the amount of these obligations. Refer to "Item 8. Financial Statements—Note 3. Alliances" for further information regarding our alliances.

For a discussion of contractual obligations, refer to "Item 8. Financial Statements—Note 7. Income Taxes," "—Note 9. Financial Instruments and Fair Value Measurements,"and "—Note 16. Pension, Postretirement and Postemployment Liabilities."

SEC Consent Order / FCPA Settlement

As previously disclosed, on August 4, 2004, we entered into a final settlement with the SEC, concluding an investigation concerning certain wholesaler inventory and accounting matters. The settlement was reached through a Consent, a copy of which was attached as Exhibit 10 to our quarterly report on Form 10-Q for the period ended September 30, 2004.

Under the terms of the Consent, we agreed, subject to certain defined exceptions, to limit sales of all products sold to our direct customers (including wholesalers, distributors, hospitals, retail outlets, pharmacies and government purchasers) based on expected demand or on amounts that do not exceed approximately one month of inventory on hand, without making a timely public disclosure of any change in practice. We also agreed in the Consent to certain measures that we have implemented including: (a) establishing a formal review and certification process of our annual and quarterly reports filed with the SEC; (b) establishing a business risk and disclosure group; (c) retaining an outside consultant to comprehensively study and help re-engineer our accounting and financial reporting processes; (d) publicly disclosing any sales incentives offered to direct customers for the purpose of inducing them to purchase products in excess of expected demand; and (e) ensuring that our budget process gives appropriate weight to inputs that come from the bottom to the top, and not just from the top to the bottom, and adequately documenting that process.

We have established a company-wide policy to limit our sales to direct customers for the purpose of complying with the Consent. This policy includes the adoption of various procedures to monitor and limit sales to direct customers in accordance with the terms of the Consent. These procedures include a governance process to escalate to appropriate management levels potential questions or concerns regarding compliance with the policy and timely resolution of such questions or concerns. In addition, compliance with the policy is monitored on a regular basis.

We maintain IMAs with our U.S. pharmaceutical wholesalers, which account for nearly 100% of our gross U.S. revenues. Under the current terms of the IMAs, our wholesaler customers provide us with weekly information with respect to months on hand product-level inventories and the amount of out-movement of products. The three largest wholesalers currently account for approximately 95% of our gross U.S. revenues. The inventory information received from our wholesalers, together with our internal information, is used to estimate months on hand product level inventories at these wholesalers. We estimate months on hand product inventory levels for our U.S. business's wholesaler customers other than the three largest wholesalers by extrapolating from the months on hand calculated for the three largest wholesalers. In contrast, our non-U.S. business has significantly more direct customers, limited information on direct customer product level inventory and corresponding out-movement information and the reliability of third-party demand information, where available, varies widely. Accordingly, we rely on a variety of methods to estimate months on hand product level inventories for these business units.

We believe the above-described procedures provide a reasonable basis to ensure compliance with the Consent.

In addition, as previously disclosed, in October 2015, the Company reached a civil settlement with the SEC of alleged FCPA violations in which the Company agreed to pay approximately $14.7 million in disgorgement, penalties and interest. As part of the settlement, the Company also agreed to a two-year self-monitoring period of reporting to the government and is maintaining procedures to ensure compliance.

Recently Issued Accounting Standards

For recently issued accounting standards, refer to "Item 8. Financial Statements—Note 1. Accounting Policies—Recently Issued Accounting Standards."

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.

Revenue Recognition

Our accounting policy for revenue recognition has a substantial impact on reported results and relies on certain estimates. Revenue is recognized when persuasive evidence of an arrangement exists, the sales price is fixed or determinable, collectability is reasonably assured and title and substantially all of the risks and rewards of ownership have transferred (generally upon shipment except in certain EU markets which does not occur until delivery of the products to the customer). In 2014, we deferred approximately $300 million invoiced for *Daklinza* under an early access program in France. A portion of this amount was recognized as revenue in 2015 when final pricing was obtained. Revenue is also reduced for gross-to-net sales adjustments discussed below, all of which involve significant estimates and judgment after considering legal interpretations of applicable laws and regulations, historical experience, payer channel mix (e.g. Medicare or Medicaid), current contract prices under applicable programs, unbilled claims and processing time lags and inventory levels in the distribution channel. Estimates are assessed each period and adjusted as required to revised information or actual experience.

In alliance arrangements involving the delivery of more than one element, each undelivered element is evaluated whether it qualifies as a separate unit of accounting. The consideration that is fixed or determinable is then allocated to each undelivered element and is recognized as the related goods or services are delivered, limited to the consideration that is not contingent upon future deliverables. Consideration associated with contingent milestones and royalties are allocated among the underlying elements if and when the amounts are determined to be payable to BMS.

Gross-to-Net Adjustments

The following categories of gross-to-net adjustments involve significant estimates, judgments and information obtained from external sources. Refer to "—Total Revenues" above for further discussion and analysis of each significant category of gross-to-net sales adjustments.

Charge-backs and cash discounts

Our U.S. business participates in programs with government entities, the most significant of which are the U.S. Department of Defense and the U.S. Department of Veterans Affairs, and other parties, including covered entities under the 340B Drug Pricing Program, whereby pricing on products is extended below wholesaler list price to participating entities. These entities purchase products through wholesalers at the lower program price and the wholesalers then charge us the difference between their acquisition cost and the lower program price. Accounts receivable is reduced for the estimated amount of unprocessed charge-back claims attributable to a sale (typically within a two to four week time lag).

In the U.S. and certain other countries, cash discounts are offered as an incentive for prompt payment, generally approximating 2% of the sales price. Accounts receivable is reduced for the estimated amount of unprocessed cash discounts (typically within a one month time lag).

Medicaid and Medicare rebates

Our U.S. business participates in state government Medicaid programs and other qualifying Federal and state government programs requiring discounts and rebates to participating state and local government entities. All discounts and rebates provided through these programs are included in our Medicaid rebate accrual. Medicaid rebates have also been extended to drugs used in managed Medicaid plans. The estimated amount of unpaid or unbilled rebates is presented as a liability.

Rebates and discounts are offered to managed healthcare organizations in the U.S. managing prescription drug programs and Medicare Advantage prescription drug plans covering the Medicare Part D drug benefit. We also pay a 50% point of service discount to the Centers for Medicare & Medicaid Services when the Medicare Part D beneficiaries are in the coverage gap ("donut hole"). The estimated amount of unpaid or unbilled rebates and discounts is presented as a liability.

Other rebates, returns, discounts and adjustments

Other gross-to-net sales adjustments include sales returns and all other programs based on applicable laws and regulations for individual non-U.S. countries as well as rebates offered to managed healthcare organizations in the U.S. to a lesser extent. The non-U.S. programs include several different pricing schemes such as cost caps, volume discounts, outcome-based pricing schemes and pricing claw-backs that are based on sales of individual companies or an aggregation of all companies participating in a specific market. The estimated amount of unpaid or unbilled rebates and discounts is presented as a liability.

Estimated returns for established products are determined after considering historical experience and other factors including levels of inventory in the distribution channel, estimated shelf life, product recalls, product discontinuances, price changes of competitive products, introductions of generic products, introductions of competitive new products and lower demand following the loss of exclusivity. The estimated amount for product returns is presented as a liability.

Estimated returns for new products are determined after considering historical sales return experience of similar products, such as those within the same product line, similar therapeutic area and/or similar distribution model. We defer recognition of revenue until the right of return expires, sufficient historical experience to estimate sales returns is developed in limited circumstances, or when insufficient historical experience with products in a similar therapeutic area, distribution method or other characteristic is available. This typically occurs when the new product is not an extension of an existing line of product or when historical experience with products in a similar therapeutic category is lacking. Estimated levels of inventory in the distribution channel and projected demand are also considered in estimating sales returns for new products.

Use of information from external sources

Information from external sources is used to estimate gross-to-net adjustments. Our estimate of inventory at the wholesalers are based on the projected prescription demand-based sales for our products and historical inventory experience, as well as our analysis of third-party information, including written and oral information obtained from certain wholesalers with respect to their inventory levels and sell-through to customers and third-party market research data, and our internal information. The inventory information received from wholesalers is a product of their recordkeeping process and excludes inventory held by intermediaries to whom they sell, such as retailers and hospitals.

We have also continued the practice of combining retail and mail prescription volume on a retail-equivalent basis. We use this methodology for internal demand forecasts. We also use information from external sources to identify prescription trends, patient demand and average selling prices. Our estimates are subject to inherent limitations of estimates that rely on third-party information, as certain third-party information was itself in the form of estimates, and reflect other limitations including lags between the date as of which third-party information is generated and the date on which we receive third-party information.

Retirement Benefits

Accounting for pension and postretirement benefit plans requires actuarial valuations based on significant assumptions for discount rates and expected long-term rates of return on plan assets. In consultation with our actuaries, these significant assumptions and others such as salary growth, retirement, turnover, healthcare trends and mortality rates are evaluated and selected based on expectations or actual experience during each remeasurement date. Pension expense could vary within a range of outcomes and have a material effect on reported earnings, projected benefit obligations and future cash funding. Actual results in any given year may differ from those estimated because of economic and other factors.

The yield on high quality corporate bonds that coincides with the cash flows of the plans' estimated payouts is used in determining the discount rate. The Citi Pension Discount curve is used for the U.S. plans. The present value of benefit obligations at December 31, 2016 for the U.S. pension plans was determined using a 4.0% discount rate. If the assumed discount rate used in determining the U.S. pension plans' projected benefit obligation at December 31, 2016 was reduced by an additional 1%, the projected benefit obligation would increase by approximately $900 million.

The expected long-term rate of return on plan assets is estimated considering expected returns for individual asset classes with input from external advisors. We also consider long-term historical returns including actual performance compared to benchmarks for similar investments. The U.S. plans' pension expense for 2016 was determined using a 7.8% expected long-term rate of return on plan assets. If the expected long-term rate of return on plan assets used in determining the U.S. plans' pension expense for 2016 was reduced by 1%, such expense would increase by $41 million.

For a more detailed discussion on retirement benefits, refer to "Item 8. Financial Statements—Note 16. Pension, Postretirement and Postemployment Liabilities."

Business Combinations and Divestitures

Goodwill and other intangible assets acquired in business combinations, licensing and other transactions were $8.3 billion (representing 25% of total assets) at December 31, 2016.

Accounting for transactions as business combinations and divestitures is significantly different than asset acquisitions and divestitures. For example, acquired IPRD is capitalized for business combinations and expensed for asset acquisitions and the fair value of contingent consideration and goodwill are only recognized in business combination transactions. Likewise, when a portion of a reporting unit that constitutes a business is divested, goodwill associated with that business is included in the carrying value of the business in determining the gain or loss. Derecognition of goodwill does not occur in asset dispositions. As a result, it is important to determine whether a business or an asset or group of assets is acquired or divested. A business is defined in ASC 805 - Business Combinations as an integrated set of inputs and processes that are capable of generating outputs that have the ability to provide a return to its investors or owners. Typical inputs include long-lived assets (including intangible assets or rights to use long-lived assets), intellectual property and the ability to obtain access to required resources. Typical processes include strategic, operational and resource management processes that are typically documented or evident through an organized workforce.

We consider all of the above factors when determining whether a business was acquired (or divested) as well as the compound's development phase if no commercial products are involved. For example, in evaluating our acquisitions of Cormorant and Padlock in 2016, Cardioxyl and Flexus in 2015 and iPierian in 2014, we concluded that no significant processes were transferred to us, thus the transactions were accounted for as asset acquisitions. As a result, the amounts allocated to the lead investigational compounds were expensed and not capitalized. In addition, contingent consideration from potential development, regulatory, approval and sales-based milestones and sales-based royalties were not included in the purchase price. Refer to "Item 8. Financial Statements—Note 4. Acquisitions and Divestitures" for further discussion on our acquisitions.

Similarly, in evaluating our divestitures of our investigational HIV medicines business and the business comprising the alliance with Reckitt in 2016, *Erbitux**, *Ixempra** and the businesses comprising the alliances with The Medicines Company and Valeant Pharmaceuticals International, Inc. in 2015, and our diabetes business to AstraZeneca in 2014 we concluded that all necessary inputs and processes were transferred, and consequently the transactions were accounted for as sales of businesses, which resulted in the allocation of goodwill ($98 million in 2016, $73 million in 2015 and $600 million in 2014) to the carrying value of the businesses in determining the gain on sale. Contingent proceeds related to divestitures are not recognized until realized.

Valuation processes are also required for certain multiple element arrangements and include determination of judgmental and complex matters, discussed above. For example, BMS purchased a warrant in 2015 that gives BMS the exclusive right to acquire Promedior, which required the determination of the best estimated selling price of the two separate elements identified in the transaction (the warrant and the clinical development services). Similarly, the divestiture of the diabetes business to AstraZeneca in 2014 required the determination of the best estimated selling price of several elements including the business, supply and development agreements (including the appropriate mark-ups) and the estimated fair value of the manufacturing facility. Refer to "Item 8. Financial Statements—Note 3. Alliances" for further discussion on both transactions.

Impairment

Other Intangible Assets, including IPRD

Other intangible assets were $1.4 billion at December 31, 2016, including licenses ($248 million of which $155 million is allocated to unapproved products), developed technology rights ($669 million), capitalized software ($361 million) and IPRD ($107 million). Intangible assets are assessed for impairment whenever current facts or circumstances warrant a review, although IPRD is assessed at least annually. Intangible assets are highly vulnerable to impairment charges, particularly newly acquired assets for recently launched products or IPRD. These assets are initially measured at fair value and therefore any reduction in expectations used in the valuations could potentially lead to impairment. Some of the more common potential risks leading to impairment include competition, earlier than expected loss of exclusivity, pricing pressures, adverse regulatory changes or clinical trial results, delay or failure to obtain regulatory approval and additional development costs, inability to achieve expected synergies, higher operating costs, changes in tax laws and other macro-economic changes. The complexity in estimating the fair value of intangible assets in connection with an impairment test is similar to the initial valuation.

Considering the high risk nature of research and development and the industry's success rate of bringing developmental compounds to market, IPRD impairment charges are likely to occur in future periods. We recognized a $160 million charge in 2015 for BMS-986020 which was in Phase II development for treatment of IPF and $343 million in 2014, including a $310 million charge for peginterferon lambda which was in Phase III development for treatment of HCV. For discussion on IPRD impairments, refer to "Item 8. Financial Statements—Note 13. Goodwill and Other Intangible Assets."

Property, Plant and Equipment

Property, plant and equipment is tested for impairment whenever current facts or circumstances require a review including whether it is more likely than not that the asset will be disposed of prior to its estimated remaining useful life. Additionally, these long-lived assets are periodically reviewed to determine if any change in facts or circumstances would result in a change to the estimated useful life of the asset, possibly resulting in the acceleration of depreciation. If such circumstances exist, an estimate of undiscounted future cash flows generated by the asset, or the appropriate grouping of assets, is compared to the carrying value to determine whether an impairment exists at its lowest level of identifiable cash flows. If an asset is determined to be impaired, the loss is measured based on the difference between the asset's fair value and its carrying value. Expectations of future cash flows are subject to change based upon the near and long-term production volumes and margins generated by the asset as well as any potential alternative future use. Accelerated depreciation and other related charges for certain manufacturing and R&D facilities were $104 million in 2016, $115 million in 2015 and $151 million in 2014. Additional charges will continue to occur as a result of the Company's restructuring actions announced in the fourth quarter of 2016.

Contingencies

In the normal course of business, we are subject to contingencies, such as legal proceedings and claims arising out of our business, that cover a wide range of matters, including, among others, government investigations, shareholder lawsuits, product and environmental liability, contractual claims and tax matters. We recognize accruals for such contingencies when it is probable that a liability will be incurred and the amount of the loss can be reasonably estimated. These estimates are subject to uncertainties that are difficult to predict and, as such, actual results could vary from these estimates.

For discussions on contingencies, refer to "Item 8. Financial Statements—Note 1. Accounting Policies—Contingencies," "—Note 7. Income Taxes" and "—Note 18. Legal Proceedings and Contingencies."

Income Taxes

Valuation allowances are recognized to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. The assessment of whether or not a valuation allowance is required often requires significant judgment including long-range forecasts of future taxable income and evaluation of tax planning initiatives. Adjustments to the deferred tax valuation allowances are made to earnings in the period when such assessments are made. Our deferred tax assets were $4.3 billion at December 31, 2016 (net of valuation allowances of $3.1 billion) and $4.1 billion at December 31, 2015 (net of valuation allowances of $3.5 billion).

Deferred tax assets related to a U.S. Federal net operating loss carryforward of $129 million and a U.S. Federal tax credit carryforward of $27 million were recognized at December 31, 2016. The net operating loss carryforward expires in varying amounts beginning in 2022. The U.S. Federal tax credit carryforward expires in varying amounts beginning in 2017. The realization of these carryforwards is dependent on generating sufficient domestic-sourced taxable income prior to their expiration. An $11 million valuation allowance was established for this item at December 31, 2016. Although not assured, we believe it is more likely than not that the deferred tax assets not valued will be realized.

Taxes are not provided on undistributed earnings of foreign subsidiaries expected to be reinvested indefinitely offshore.

Prior to the Mead Johnson split-off in 2009, the following transactions occurred: (i) an internal spin-off of Mead Johnson shares while still owned by us; (ii) conversion of Mead Johnson Class B shares to Class A shares; and; (iii) conversion of Mead Johnson & Company to a limited liability company. These transactions as well as the split-off of Mead Johnson through the exchange offer should qualify as tax-exempt transactions under the Internal Revenue Code based upon a private letter ruling received from the Internal Revenue Service related to the conversion of Mead Johnson Class B shares to Class A shares, and outside legal opinions.

Certain assumptions, representations and covenants by Mead Johnson were relied upon regarding the future conduct of its business and other matters which could affect the tax treatment of the exchange. For example, the current tax law generally creates a presumption that the exchange would be taxable to us, if Mead Johnson or its shareholders were to engage in transactions that result in a 50% or greater change in its stock ownership during a four year period beginning two years before the exchange offer, unless it is established that the exchange offer were not part of a plan or series of related transactions to effect such a change in ownership. If the internal spin-off or exchange offer were determined not to qualify as a tax exempt transaction, the transaction could be subject to tax as if the exchange was a taxable sale by us at market value.

In addition, a negative basis or ELA existed in our investment in stock of Mead Johnson prior to these transactions. We received an opinion from outside legal counsel to the effect that it is more likely than not that we eliminated the ELA as part of these transactions and do not have taxable income with respect to the ELA. The tax law in this area is complex and it is possible that even if the internal spin-off and the exchange offer is tax exempt under the Internal Revenue Code, the IRS could assert that we have additional taxable income for the period with respect to the ELA. We could be exposed to additional taxes if this were to occur. Based upon our understanding of the Internal Revenue Code and opinion from outside legal counsel, a tax reserve of $244 million was established reducing the gain on disposal of Mead Johnson included in discontinued operations in 2009.

We agreed to certain tax related indemnities with Mead Johnson as set forth in the tax sharing agreement, including certain taxes related to its business prior to the completion of the IPO and created as part of the restructuring to facilitate the IPO. Mead Johnson has also agreed to indemnify us for potential tax effects resulting from the breach of certain representations discussed above as well as certain transactions related to the acquisition of Mead Johnson's stock or assets.

Liabilities are established for possible assessments by tax authorities resulting from known tax exposures including, but not limited to, transfer pricing matters, tax credits and deductibility of certain expenses. Such liabilities represent a reasonable provision for taxes ultimately expected to be paid and may need to be adjusted over time as more information becomes known. For example, additional reserves of $123 million were established in 2014 for certain transfer pricing matters related to periods from 2008 through 2014.

For discussions on income taxes, refer to "Item 8. Financial Statements—Note 1. Accounting Policies—Income Taxes" and "—Note 7. Income Taxes."

Product and Pipeline Developments

Our R&D programs are managed on a portfolio basis from early discovery through late-stage development and include a balance of early-stage and late-stage programs to support future growth. Our late stage R&D programs in Phase III development include both investigational compounds for initial indications and additional indications or formulations for marketed products. Spending on these programs represent approximately 30-45% of our annual R&D expenses in the last three years. No individual investigational compound or marketed product represented 10% or more of our R&D expenses in any of the last three years, except *Opdivo* in both 2016 and 2015. Our late-stage development programs could potentially have an impact on our revenue and earnings within the next few years if regulatory approvals are obtained and products are successfully commercialized. The following are the developments in our marketed products and our late-stage pipeline:

Product	Indication	Date	Developments
Opdivo	cHL	December 2016	JMHLW manufacturing and marketing approval for the treatment of relapsed or refractory cHL, received by our alliance partner, Ono.
		December 2016	BMS and Seattle Genetics, Inc. announced results from a Phase I/II study evaluating *Adcetris** (brentuximab) in combination with *Opdivo* in relapsed or refractory cHL.
		November 2016	EC approval for the treatment of adult patients with relapsed or refractory cHL after ASCT and treatment with brentuximab vedotin.
		October 2016	Announced new results from CheckMate-205, a Phase II trial evaluating *Opdivo* in patients with cHL, including patients who had received brentuximab vedotin before and/or after auto-HSCT.
		June 2016	Announced results from CheckMate-205, a Phase II trial evaluating *Opdivo* in patients with cHL.
		May 2016	FDA approval for the treatment of patients with cHL who have relapsed or progressed after auto-HSCT and post-transplantation brentuximab vedotin.
	Gastric cancer	January 2017	Announced results of ONO-4538-12, a Phase III trial evaluating *Opdivo* in patients with unresectable advanced or recurrent gastric cancer refractory to or intolerant of standard therapy. A November 2016 announcement stated that the study had met its primary endpoint. Ono, our alliance partner, conducted the trial.
		December 2016	BMS's alliance partner, Ono, submitted a supplemental application for *Opdivo* for the treatment of unresectable advanced or recurrent gastric cancer.
	Melanoma	April 2016	Announced extended follow-up data from CA209-003, a Phase I trial evaluating *Opdivo* in heavily pretreated advanced melanoma patients.
		January 2016	FDA expanded the use of *Opdivo* as a single agent to include previously untreated BRAF mutation positive advanced melanoma patients.

Product	Indication	Date	Developments
Opdivo	mUC	February 2017	FDA approval for the treatment of patients with previously treated locally advanced or mUC, a type of bladder cancer.
		October 2016	Announced results from CheckMate-275, a Phase II trial evaluating *Opdivo* in platinum-refractory patients with mUC.
		September 2016	Announced the EMA validated the Company's type II variation application which seeks to extend the current indications to include the treatment of locally advanced mUC in adults after failure of prior platinum-containing therapy.
		June 2016	Announced data from CheckMate-032, a Phase I/II trial evaluating *Opdivo* in patients with mUC after platinum-based therapy.
	NSCLC	October 2016	Announced updated results from two Phase III trials (CheckMate-057 and CheckMate-017) evaluating *Opdivo* in previously treated metastatic NSCLC patients.
		October 2016	Presented the final primary analysis of CheckMate-026, a Phase III trial evaluating *Opdivo* as a first-line monotherapy in patients with advanced NSCLC whose tumors expressed PD-L1 ≥ 1%. The top line results were disclosed in August 2016 and showed CheckMate-026 did not meet the primary endpoint of superior PFS.
		May 2016	Announced data from two Phase III trials (CheckMate-017 and CheckMate-057) evaluating *Opdivo* versus docetaxel in previously treated metastatic NSCLC.
		April 2016	EC approval for the treatment of previously treated patients with metastatic NSQ NSCLC.
	RCC	August 2016	JMHLW manufacturing and marketing approval for the treatment of unresectable or metastatic RCC, received by our alliance partner, Ono.
		June 2016	Announced long-term results from two dose-ranging studies, the Phase I CA209-003 study and the Phase II CA209-010 study, evaluating *Opdivo* in patients with previously treated advanced RCC.
		April 2016	EC approval for the treatment of previously treated patients with advanced RCC.
	SCCHN	November 2016	FDA approval for the treatment of patients with SCCHN with disease progression on or after platinum-based therapy.
		October 2016	Announced new data from CheckMate-141, a Phase III trial evaluating *Opdivo* in patients with recurrent or metastatic SCCHN after platinum therapy compared to investigator's choice of therapy.
		July 2016	The EMA validated and in Japan BMS's alliance partner Ono submitted applications for *Opdivo* for patients with previously treated recurrent or metastatic SCCHN.
		April 2016	Announced data from CheckMate-141, a Phase III trial evaluating *Opdivo* in patients with recurrent or metastatic SCCHN after platinum therapy compared to investigator's choice of therapy. In January 2016, CheckMate-141 was stopped early due to the DMC concluding that the study met its primary endpoint.

Opdivo+Yervoy	Colorectal cancer	June 2016	Announced data from CheckMate-142, a Phase II trial evaluating *Opdivo* alone or in combination with *Yervoy* in patients with previously treated metastatic colorectal cancer, including those with MSI-H.
	Melanoma	June 2016	Announced results from two trials (CheckMate-067 - Phase III; CheckMate-069 - Phase II) evaluating the *Opdivo+Yervoy* combination regimen in previously untreated advanced melanoma.
		May 2016	EC approval for the treatment of unresectable or metastatic melanoma, regardless of BRAF mutational status.
		April 2016	Announced data from CheckMate-069, Phase II trial evaluating the *Opdivo+Yervoy* combination regimen in previously untreated advanced melanoma.
		January 2016	FDA expanded use for the treatment of previously untreated unresectable or metastatic melanoma, regardless of BRAF mutational status.
	mUC	November 2016	Announced additional results from CheckMate-032, a Phase I/II trial investigating two combination schedules of *Opdivo+Yervoy* in patients with locally advanced or mUC previously treated with platinum-based therapy.
	NSCLC	December 2016	Announced updated findings from CheckMate-012, a Phase Ib trial evaluating *Opdivo* monotherapy or in combination with *Yervoy* in patients with chemotherapy-naïve advanced NSCLC. Data was previously announced in June 2016.
	RCC	October 2016	Announced updated results from CheckMate-016, a Phase I trial evaluating the *Opdivo+ Yervoy* combination regimen in previously treated and treatment-naïve patients with metastatic RCC.
	SCLC	December 2016	Announced updated results from CheckMate-032, a phase I/II trial evaluating *Opdivo* monotherapy and in combination with *Yervoy* in previously treated SCLC patients.

Product	Indication	Date	Developments
Empliciti	Multiple Myeloma	September 2016	JMHLW manufacturing and marketing approval in combination with *Revlimid** (lenalidomide) and dexamethasone for the treatment of multiple myeloma.
		May 2016	EC approval for the treatment of multiple myeloma as combination therapy with *Revlimid** and dexamethasone in patients who have received at least one prior therapy.
Yervoy	Melanoma	October 2016	Announced new data from CA184-029, a Phase III trial evaluating *Yervoy* in stage III melanoma patients who are at high risk of recurrence following complete surgical resection.
Orencia	RA	September 2016	EC approval in combination with MTX for the treatment of highly active and progressive disease in adult patients with RA not previously treated with MTX.
		July 2016	Announced the commercial launch of the *Orencia* ClickJect Autoinjector, a new self-administered autoinjector for adults with moderate to severe RA.
		June 2016	Presented findings from the first U.S. observational study exploring moderate to severe RA patients' response to treatment based on their baseline status for two biomarkers of poor prognosis, anti-CCP and RF.
Hepatitis C Portfolio	HCV	December 2016	JMHLW manufacturing and marketing approval of *Ximency* combination tablet which contains daclatasvir, asunaprevir and beclabuvir for the treatment of HCV in genotype 1.
		February 2016	FDA approval of *Daklinza* for use with sofosbuvir for the treatment of chronic HCV in genotypes 1 and 3 in three additional patient populations.
		February 2016	Announced results from the first completed all-oral chronic HCV regimen (*Daklinza* in combination with asunaprevir) Phase III trial that includes a Chinese patient population.
		January 2016	EC approval of *Daklinza* for use with sofosbuvir for the treatment of chronic HCV in three new patient populations.
Reyataz	HIV	June 2016	EC approval for *Reyataz* oral powder indicated in HIV-infected children at least 3 months/5 kg and the optimized *Reyataz* capsule pediatric dosing recommendations.

Special Note Regarding Forward-Looking Statements

This annual report on Form 10-K (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 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.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk resulting from changes in currency exchange rates and interest rates. Certain derivative financial instruments are used when available on a cost-effective basis to hedge our underlying economic exposure. All of our financial instruments, including derivatives, are subject to counterparty credit risk considered as part of the overall fair value measurement. Derivative financial instruments are not used for trading purposes.

Foreign Exchange Risk

Significant amounts of our revenues, earnings and cash flow are exposed to changes in foreign currency rates. Our primary net foreign currency translation exposures are the euro, Japanese yen and Chinese renminbi. Foreign currency forward contracts used to manage risk which primarily arises from certain intercompany purchase transactions are designated as foreign currency cash flow hedges when appropriate. In addition, we are exposed to foreign exchange transaction risk arising from non-functional currency denominated assets and liabilities and earnings denominated in non-U.S. dollar currencies. Foreign currency forward contracts used to offset these exposures are not designated as hedges.

We estimate that a 10% appreciation in the underlying currencies being hedged from their levels against the U.S. dollar (with all other variables held constant) would decrease the fair value of foreign exchange forward contracts by $86 million at December 31, 2016, reducing earnings over the remaining life of the contracts.

We are also exposed to translation risk on non-U.S. dollar-denominated net assets. Non-U.S. dollar borrowings are used to hedge the foreign currency exposures of our net investment in certain foreign affiliates and are designated as hedges of net investments. The effective portion of foreign exchange gains or losses on these hedges is included in the foreign currency translation component of accumulated other comprehensive income/(loss). If our net investment decreases below the equivalent value of the non-U.S. debt borrowings, the change in the remeasurement basis of the debt would be subject to recognition in income as changes occur. For additional information, refer to “Item 8. Financial Statements—Note 9. Financial Instruments and Fair Value Measurements.”

Interest Rate Risk

We use fixed-to-floating interest rate swap contracts designated as fair value hedges and forward starting interest rate swap contracts designated as cash flow hedges as part of our interest rate risk management strategy. These contracts are intended to provide us with an appropriate balance of fixed and floating rate debt, and forward starting swap contracts are used to manage the interest rate of future debt issuances. We estimate that an increase of 100 basis points in short-term or long-term interest rates would decrease the fair value of our interest rate swap contracts by $36 million, or a decrease of 100 basis points in short-term or long-term interest rates would decrease the fair value of our forward starting interest rate swap contracts by $125 million, thereby reducing earnings over the remaining life of the contracts.

We estimate that an increase of 100 basis points in long-term interest rates would decrease the fair value of long-term debt by $513 million. Our marketable securities are subject to changes in fair value as a result of interest rate fluctuations and other market factors. Our policy is to invest only in institutions that meet high credit quality standards. We estimate that an increase of 100 basis points in interest rates in general would decrease the fair value of our debt investment portfolio by approximately $68 million.

Credit Risk

Although not material, certain European government-backed entities with a higher risk of default, such as Greece, Portugal, Italy and Spain, are monitored through economic factors, including credit ratings, credit-default swap rates, debt-to-gross domestic product ratios and other entity specific factors. Historically, our exposure was limited by factoring receivables. Our credit exposures in Europe may increase in the future due to reductions in our factoring arrangements and the ongoing sovereign debt crisis.

We monitor our investments with counterparties with the objective of minimizing concentrations of credit risk. Our investment policy establishes limits on the amount and time to maturity of investments with any individual counterparty. The policy also requires that investments are only entered into with corporate and financial institutions that meet high credit quality standards.

The use of derivative instruments exposes us to credit risk. When the fair value of a derivative instrument contract is positive, we are exposed to credit risk if the counterparty fails to perform. When the fair value of a derivative instrument contract is negative, the counterparty is exposed to credit risk if we fail to perform our obligation. Collateral is not required by any party whether derivatives are in an asset or liability position. We have a policy of diversifying derivatives with counterparties to mitigate the overall risk of counterparty defaults. For additional information, refer to “Item 8. Financial Statements—Note 9. Financial Instruments and Fair Value Measurements.”

CONSOLIDATED STATEMENTS OF EARNINGS

Dollars and Shares in Millions, Except Per Share Data

	Year Ended December 31,		
EARNINGS	**2016**	2015	2014
Net product sales	**$ 17,702**	$ 14,045	$ 11,660
Alliance and other revenues	**1,725**	2,515	4,219
Total Revenues	**19,427**	16,560	15,879
Cost of products sold	**4,946**	3,909	3,932
Marketing, selling and administrative	**4,911**	4,841	4,822
Research and development	**4,940**	5,920	4,534
Other (income)/expense	**(1,285)**	(187)	210
Total Expenses	**13,512**	14,483	13,498
Earnings Before Income Taxes	**5,915**	2,077	2,381
Provision for Income Taxes	**1,408**	446	352
Net Earnings	**4,507**	1,631	2,029
Net Earnings Attributable to Noncontrolling Interest	**50**	66	25
Net Earnings Attributable to BMS	**$ 4,457**	$ 1,565	$ 2,004
Earnings per Common Share			
Basic	**$ 2.67**	$ 0.94	$ 1.21
Diluted	**$ 2.65**	$ 0.93	$ 1.20
Cash dividends declared per common share	**$ 1.53**	$ 1.49	$ 1.45

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Dollars in Millions

	Year Ended December 31,		
COMPREHENSIVE INCOME	**2016**	2015	2014
Net Earnings	**$ 4,507**	$ 1,631	$ 2,029
Other Comprehensive Income/(Loss), net of taxes and reclassifications to earnings:			
Derivatives qualifying as cash flow hedges	**4**	(51)	69
Pension and postretirement benefits	**(17)**	101	(324)
Available-for-sale securities	**16**	(54)	3
Foreign currency translation	**(38)**	(39)	(32)
Total Other Comprehensive Loss	**(35)**	(43)	(284)
Comprehensive Income	**4,472**	1,588	1,745
Comprehensive Income Attributable to Noncontrolling Interest	**50**	66	25
Comprehensive Income Attributable to BMS	**$ 4,422**	$ 1,522	$ 1,720

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

CONSOLIDATED BALANCE SHEETS

Dollars in Millions, Except Share and Per Share Data

	December 31, 2016	December 31, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 4,237	$ 2,385
Marketable securities	2,113	1,885
Receivables	5,543	4,299
Inventories	1,241	1,221
Prepaid expenses and other	570	625
Total Current Assets	13,704	10,415
Property, plant and equipment	4,980	4,412
Goodwill	6,875	6,881
Other intangible assets	1,385	1,419
Deferred income taxes	2,996	2,844
Marketable securities	2,719	4,660
Other assets	1,048	1,117
Total Assets	$ 33,707	$ 31,748
LIABILITIES		
Current Liabilities:		
Short-term borrowings and current portion of long-term debt	$ 992	$ 139
Accounts payable	1,664	1,565
Accrued liabilities	5,271	4,738
Deferred income	762	1,003
Income taxes payable	152	572
Total Current Liabilities	8,841	8,017
Deferred income	547	586
Income taxes payable	973	742
Pension and other liabilities	1,283	1,429
Long-term debt	5,716	6,550
Total Liabilities	17,360	17,324
Commitments and contingencies (Note 18)		
EQUITY		
Bristol-Myers Squibb Company Shareholders' Equity:		
Preferred stock, $2 convertible series, par value $1 per share: Authorized 10 million shares; issued and outstanding 4,129 in 2016 and 4,161 in 2015, liquidation value of $50 per share	—	—
Common stock, par value of $0.10 per share: Authorized 4.5 billion shares; 2.2 billion issued in both 2016 and 2015	221	221
Capital in excess of par value of stock	1,725	1,459
Accumulated other comprehensive loss	(2,503)	(2,468)
Retained earnings	33,513	31,613
Less cost of treasury stock — 536 million common shares in 2016 and 539 million in 2015	(16,779)	(16,559)
Total Bristol-Myers Squibb Company Shareholders' Equity	16,177	14,266
Noncontrolling interest	170	158
Total Equity	16,347	14,424
Total Liabilities and Equity	$ 33,707	$ 31,748

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Dollars in Millions

	Year Ended December 31,		
	2016	2015	2014
Cash Flows From Operating Activities:			
Net earnings	**$ 4,507**	$ 1,631	$ 2,029
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization, net	**382**	376	467
Deferred income taxes	**(204)**	(347)	(542)
Stock-based compensation	**205**	235	213
Impairment charges	**108**	192	401
Pension settlements and amortization	**169**	245	971
Divestiture gains and royalties, net	**(1,187)**	(490)	(760)
Asset acquisition charges	**274**	983	148
Other adjustments	**(44)**	15	(21)
Changes in operating assets and liabilities:			
Receivables	**(803)**	(942)	(252)
Inventories	**(152)**	97	(254)
Accounts payable	**104**	(919)	(44)
Deferred income	**(64)**	218	613
Income taxes payable	**(545)**	47	171
Other	**100**	491	8
Net Cash Provided by Operating Activities	**2,850**	1,832	3,148
Cash Flows From Investing Activities:			
Sale and maturities of marketable securities	**4,809**	2,794	4,095
Purchase of marketable securities	**(3,089)**	(3,143)	(5,719)
Capital expenditures	**(1,215)**	(820)	(526)
Divestiture and other proceeds	**1,334**	708	3,585
Acquisition and other payments	**(359)**	(1,111)	(219)
Net Cash Provided by/(Used in) Investing Activities	**1,480**	(1,572)	1,216
Cash Flows From Financing Activities:			
Short-term borrowings, net	**125**	(449)	244
Issuance of long-term debt	**—**	1,268	—
Repayment of long-term debt	**(15)**	(1,957)	(676)
Interest rate swap contract terminations	**42**	(2)	105
Issuance of common stock	**181**	266	288
Repurchase of common stock	**(231)**	—	—
Dividends	**(2,547)**	(2,477)	(2,398)
Net Cash Used in Financing Activities	**(2,445)**	(3,351)	(2,437)
Effect of Exchange Rates on Cash and Cash Equivalents	**(33)**	(95)	58
Increase/(Decrease) in Cash and Cash Equivalents	**1,852**	(3,186)	1,985
Cash and Cash Equivalents at Beginning of Year	**2,385**	5,571	3,586
Cash and Cash Equivalents at End of Year	**$ 4,237**	$ 2,385	$ 5,571

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

Note 1 ACCOUNTING POLICIES AND RECENTLY ISSUED ACCOUNTING STANDARDS

Basis of Consolidation

The consolidated financial statements are prepared in conformity with U.S. GAAP, including the accounts of Bristol-Myers Squibb Company and all of its controlled majority-owned subsidiaries and certain variable interest entities. All intercompany balances and transactions are eliminated. Material subsequent events are evaluated and disclosed through the report issuance date. Refer to the Summary of Abbreviated Terms at the end of this 2016 Annual Report for terms used throughout the document.

Alliance and license arrangements are assessed to determine whether the terms provide economic or other control over the entity requiring consolidation of an entity. Entities controlled by means other than a majority voting interest are referred to as variable interest entities and are consolidated when BMS has both the power to direct the activities of the variable interest entity that most significantly impacts its economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the entity.

Use of Estimates and Judgments

The preparation of financial statements requires the use of management estimates, judgments and assumptions. The most significant assumptions are estimates in determining the fair value and potential impairment of intangible assets; sales rebate and return accruals; legal contingencies; income taxes; estimated selling prices used in multiple element arrangements; determining if an acquisition or divestiture is a business or an asset; and pension and postretirement benefits. Actual results may differ from estimated results.

Reclassifications

Certain prior period amounts were reclassified to conform to the current period presentation. The reclassifications provide a more concise financial statement presentation and additional information is disclosed in the notes if material.

<table>
<tr><th></th><th>Prior Presentation</th><th>Current Presentation</th></tr>
<tr><td>Consolidated Statements of Earnings</td><td>Advertising and product promotion</td><td>Included in Marketing, selling and administrative expenses</td></tr>
<tr><td rowspan="6">Consolidated Balance Sheets</td><td>Assets held-for-sale</td><td>Included in Prepaid expenses and other</td></tr>
<tr><td>Accrued expenses</td><td rowspan="3">Combined as Accrued liabilities</td></tr>
<tr><td>Accrued rebates and returns</td></tr>
<tr><td>Dividends payable</td></tr>
<tr><td>Pension, postretirement and postemployment liabilities</td><td rowspan="2">Combined as Pension and other liabilities</td></tr>
<tr><td>Other liabilities</td></tr>
<tr><td rowspan="3">Consolidated Statements of Cash Flows</td><td>Net earnings attributable to noncontrolling interest</td><td>Included in Other adjustments</td></tr>
<tr><td>Divestiture gains and royalties included in Other adjustments</td><td>Divestiture gains and royalties</td></tr>
<tr><td>Asset acquisition charges included in Other adjustments</td><td>Asset acquisition charges</td></tr>
</table>

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, the sales price is fixed or determinable, collectability is reasonably assured and title and substantially all risks and rewards of ownership are transferred, generally at time of shipment (including the supply of commercial products to alliance partners when they are the principal in the end customer sale). However, certain revenue of non-U.S. businesses is recognized on the date of receipt by the customer. Alliance and other revenue related to *Abilify** and *Atripla** is not recognized until the products are sold to the end customer by the alliance partner. Royalties are recognized when the third-party sales are reliably measurable and collectability is reasonably assured. Refer to "—Note 3. Alliances" for further detail regarding alliances.

Revenue is reduced at the time of recognition for expected sales returns, discounts, rebates and sales allowances based on historical experience updated for changes in facts and circumstances including the impact of applicable healthcare legislation. Revenue is deferred when there is no historical experience with products in a similar therapeutic category or with similar operational characteristics, or until the right of return no longer exists or sufficient historical experience to estimate sales returns is developed.

Income Taxes

The provision for income taxes includes income taxes paid or payable for the current year plus the change in deferred taxes during the year. Deferred taxes result from differences between the financial and tax basis of assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted. Valuation allowances are recognized to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. The assessment of whether or not a valuation allowance is required often requires significant judgment including the long-range forecast of future taxable income and the evaluation of tax planning initiatives. Adjustments to the deferred tax valuation allowances are made to earnings in the period when such assessments are made.

Tax benefits are recognized from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefit recognized in the financial statements for a particular tax position is based on the largest benefit that is more likely than not to be realized upon settlement.

Cash and Cash Equivalents

Cash and cash equivalents include bank deposits, time deposits, commercial paper and money market funds. Cash equivalents consist of highly liquid investments with original maturities of three months or less at the time of purchase and are recognized at cost, which approximates fair value.

Marketable Securities and Investments in Other Companies

Marketable securities are classified as “available-for-sale” on the date of purchase and reported at fair value. Fair value is determined based on observable market quotes or valuation models using assessments of counterparty credit worthiness, credit default risk or underlying security and overall capital market liquidity.

Investments in 50% or less owned companies are accounted for using the equity method of accounting when the ability to exercise significant influence is maintained. The share of net income or losses of equity investments is included in other (income)/expense. Equity investments are reviewed for impairment by assessing if the decline in market value of the investment below the carrying value is other than temporary, which considers the intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value, the duration and extent that the market value has been less than cost and the investee's financial condition.

Inventory Valuation

Inventories are stated at the lower of average cost or market.

Property, Plant and Equipment and Depreciation

Expenditures for additions, renewals and improvements are capitalized at cost. Depreciation is computed on a straight-line method based on the estimated useful lives of the related assets ranging from 20 to 50 years for buildings and 3 to 20 years for machinery, equipment and fixtures.

Impairment of Long-Lived Assets

Current facts or circumstances are periodically evaluated to determine if the carrying value of depreciable assets to be held and used may not be recoverable. If such circumstances exist, an estimate of undiscounted future cash flows generated by the long-lived asset, or appropriate grouping of assets, is compared to the carrying value to determine whether an impairment exists at its lowest level of identifiable cash flows. If an asset is determined to be impaired, the loss is measured based on the difference between the asset’s fair value and its carrying value. An estimate of the asset’s fair value is based on quoted market prices in active markets, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques using unobservable fair value inputs, such as a discounted value of estimated future cash flows.

Capitalized Software

Eligible costs to obtain internal use software are capitalized and amortized over the estimated useful life of the software.

Acquisitions

Businesses acquired are consolidated upon obtaining control. The fair value of assets acquired and liabilities assumed are recognized at the date of acquisition. Any excess of the purchase price over the estimated fair values of the net assets acquired is recognized as goodwill. Business acquisition costs are expensed when incurred. Contingent consideration from potential development, regulatory, approval and sales-based milestones and sales-based royalties are included in the purchase price for business combinations and are excluded for asset acquisitions. Amounts allocated to the lead investigational compounds for asset acquisitions are expensed at the date of acquisition.

Goodwill, Acquired In-Process Research and Development and Other Intangible Assets

The fair value of intangible assets is typically determined using the "income method" utilizing Level 3 fair value inputs. The market participant valuations assume a global view considering all potential jurisdictions and indications based on discounted after-tax cash flow projections, risk adjusted for estimated probability of technical and regulatory success (for IPRD).

Finite-lived intangible assets, including licenses, developed technology rights and IPRD projects that reach commercialization are amortized on a straight-line basis over their estimated useful life. Estimated useful lives are determined considering the period the assets are expected to contribute to future cash flows.

Goodwill is tested at least annually for impairment by assessing qualitative factors or performing a quantitative analysis in determining whether it is more likely than not that the fair value of net assets are below their carrying amounts. Examples of qualitative factors assessed in 2016 include our share price, financial performance compared to budgets, long-term financial plans, macroeconomic, industry and market conditions as well as the substantial excess of fair value over the carrying value of net assets from the annual impairment test performed in a prior year. Each relevant factor is assessed both individually and in the aggregate.

IPRD is tested for impairment on an annual basis and more frequently if events occur or circumstances change that would indicate a potential reduction in the fair values of the assets below their carrying value. If the carrying value of IPRD is determined to exceed the fair value, an impairment loss is recognized for the difference.

Finite-lived intangible assets are tested for impairment when facts or circumstances suggest that the carrying value of the asset may not be recoverable. If the carrying value exceeds the projected undiscounted pretax cash flows of the intangible asset, an impairment loss equal to the excess of the carrying value over the estimated fair value (discounted after-tax cash flows) is recognized.

Restructuring

Restructuring charges are recognized as a result of actions to streamline operations and rationalize manufacturing facilities. Estimating the impact of restructuring plans, including future termination benefits and other exit costs requires judgment. Actual results could vary from these estimates.

Contingencies

Loss contingencies from legal proceedings and claims may occur from a wide range of matters, including government investigations, shareholder lawsuits, product and environmental liability, contractual claims and tax matters. Accruals are recognized when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. Gain contingencies (including contingent proceeds related to the divestitures) are not recognized until realized. Legal fees are expensed as incurred.

Shipping and Handling Costs

Shipping and handling costs are included in marketing, selling and administrative expenses and were $70 million in 2016, $85 million in 2015 and $115 million in 2014.

Advertising and Product Promotion Costs

Advertising and product promotion costs are included in marketing, selling and administrative expenses and were $789 million in 2016, $825 million in 2015 and $734 million in 2014. Advertising and product promotion costs are expensed as incurred.

Foreign Currency Translation

Foreign subsidiary earnings are translated into U.S. dollars using average exchange rates. The net assets of foreign subsidiaries are translated into U.S. dollars using current exchange rates. The U.S. dollar effects that arise from translating the net assets of these subsidiaries at changing rates are recognized in OCI.

Research and Development

Research and development costs are expensed as incurred. Clinical study costs are accrued over the service periods specified in the contracts and adjusted as necessary based upon an ongoing review of the level of effort and costs actually incurred. Strategic alliances with third parties provide licensing rights to develop, manufacture, market and/or sell pharmaceutical products, the rights to which are owned by the other party. Research and development is recognized net of reimbursements in connection with alliance agreements. Upfront and contingent milestone payments for asset acquisitions of investigational compounds are also included in research and development expenses.

Cash Flow

Upfront and contingent milestone payments for licensing of investigational compounds are included in operating activities and asset or business acquisitions are included in investing activities. Divestiture proceeds are included in investing activities as well as royalties and other consideration received subsequent to the related sale of the asset or business. Other adjustments reflected in operating activities include divestiture gains and losses and related royalties, research and development asset acquisition charges, gains and losses on debt redemption and changes in the fair value of written option liabilities.

Recently Issued Accounting Standards

In May 2014, the FASB issued a new accounting standard related to revenue recognition, which 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. The new standard and its subsequent amendments that were issued will replace most of the existing revenue recognition standards in U.S. GAAP when it becomes effective on January 1, 2018. A five step model will be 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 new standard can be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the change recognized at the date of the initial application in retained earnings. Disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows from customer contracts will also be required.

The Company's assessment of the new standard's impact is substantially complete based on our current contracts. We currently believe the timing of recognizing revenue for the typical net product sale to our customers will not significantly change. However, the new standard will no longer require the transaction price to be fixed or determinable and certain variable consideration might be recognized prior to the occurrence or resolution of the contingent event (subject to a revenue reversal constraint). As a result, certain revenue previously deferred under the current standard because the transaction price was not fixed or determinable (e.g. early access programs) 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.

In addition, future royalties related to certain alliance arrangements (e.g. Sanofi and Japan *Erbitux** arrangements disclosed in "—Note 3. Alliances") will be estimated and recognized prior to the third party sale occurring provided it is not probable that the estimated amounts would be reversed in the future. However, the timing of royalties, sales-based milestones and other forms of contingent consideration resulting from the divestiture of businesses (e.g. the diabetes and North American *Erbitux** businesses disclosed in "—Note 3. Alliances") as well as royalties and sales-based royalties from licensing arrangements is not expected to change. The new standard's guidance pertaining to the separation of licensing rights and related fee recognition is not expected to significantly change the timing of recognizing revenue in our existing alliance arrangements that are currently generating revenue.

The Company currently anticipates to adopt the new standard on a modified retrospective basis with the cumulative effect of the change reflected in retained earnings as of January 1, 2018 and not restate prior periods. As a result, certain future royalties discussed above will be estimated and presented as a cumulative effect of an accounting change and excluded from the results of operations beginning in 2018 (other than subsequent significant revisions to the estimated amounts). Variable consideration pertaining to similar arrangements entered into subsequent to the adoption of the new standard will also need to be estimated and accounted for in a comparable manner but the initial estimate will be reflected in revenue and assessed each subsequent reporting period. No significant changes to business processes, systems and controls are currently expected to be required.

In January 2016, the FASB issued amended guidance for the recognition, measurement, presentation and disclosures of financial instruments effective January 1, 2018 with early adoption not permitted. The new guidance requires that fair value adjustments for equity securities with readily determinable fair values currently classified as available-for-sale be reported through earnings. The new guidance also requires a qualitative impairment assessment for equity investments without a readily determinable fair value and a charge through earnings if an impairment exists. The Company does not expect the amended standard to have a material impact on the Company's results of operations.

In February 2016, the FASB issued amended guidance on lease accounting. The amended guidance requires the recognition of a right-of-use asset and a lease liability, initially measured at the present value of future lease payments for leases with a term longer than 12 months. The guidance is effective beginning in 2019 with early adoption permitted on a modified retrospective approach. Although the Company's assessment of the amended standard has not been completed, minimal impacts to the results of operations are expected. The undiscounted value of lease obligations is approximately $800 million at December 31, 2016, consisting primarily of facility leases accounted for as operating leases. The initial right-of-use asset and lease liability amount reflected upon adoption will be subject to several factors including the actual lease portfolio from the earliest date of initial application, selection of an appropriate discount rate and determining the individual fixed lease payments and terms including renewal periods reasonably certain to occur.

In March 2016, the FASB issued amended guidance for share-based payment transactions. Excess tax benefits and deficiencies will be recognized in the consolidated statement of earnings rather than capital in excess of par value of stock on a prospective basis. A policy election will be available to account for forfeitures as they occur, with the cumulative effect of the change recognized as an adjustment to retained earnings at the date of adoption. Excess tax benefits within the consolidated statement of cash flows will be presented as an operating activity (prospective or retrospective application) and cash payments to tax authorities in connection with shares withheld for statutory tax withholding requirements will be presented as a financing activity (retrospective application). The guidance is effective beginning in 2017. The expected reduction of income tax expense for excess tax benefits in 2017 is not expected to be material. The Company will continue its current practice relating to accounting for forfeitures. The cash flow presentation changes discussed above will increase net cash provided by operating activities and net cash used in financing activities by $208 million in 2016 and $273 million in 2015.

In June 2016, the FASB issued amended guidance for the measurement of credit losses on financial instruments. Entities will be required to use a forward-looking estimated loss model. Available-for-sale debt security credit losses will be recognized as allowances rather than a reduction in amortized cost. The guidance is effective beginning in 2020 with early adoption permitted in 2019 on a modified retrospective approach. The Company does not expect the amended standard to have a material impact on the Company's results of operations.

In October 2016, the FASB issued amended guidance on income tax accounting for intra-entity transfers of assets other than inventory. The amended guidance requires that the tax consequences of transfers of assets between members of a consolidated group be recognized in the period the transfer takes place (excluding inventory). The guidance is effective beginning in 2018 with early adoption permitted in the first quarter of 2017 on a modified retrospective approach. The Company will early adopt the amended standard beginning in the first quarter of 2017. As a result, prepaid receivables and deferred tax assets attributed to internal intellectual property transfers of approximately $1 billion will be reduced as a cumulative effect of an accounting change in retained earnings and no longer amortized as a component of income taxes ($86 million per year). In addition, the tax impact of future internal transfers of intellectual property will be included in income tax expense when transferred and not amortized in subsequent periods.

In January 2017, the FASB issued amended guidance that revises the definition of a business. The amendments provide 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, the assets would not represent a business. To be considered a business, there must be an input and a substantive process that together significantly contribute to the ability to create outputs. To be a business without outputs, there will need to be an organized workforce. The amendments also narrow the definition of the term outputs. The guidance is effective beginning in 2018 with early adoption permitted prospectively. The Company is assessing the potential impact of the amended standard.

In January 2017, the FASB issued amended guidance that simplifies the recognition and measurement of a goodwill impairment loss by eliminating Step 2 of the quantitative impairment test. As a result, impairment charges will be required for the amount by which the reporting units carrying amount exceeds its fair value up to the amount of its allocated goodwill. The guidance is effective on a prospective basis in 2020, with early adoption permitted for interim or annual goodwill impairment tests performed after January 1, 2017. The Company does not expect the amended standard to have a material impact on the Company's results of operations.

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. Segment information 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.

Products are sold principally to wholesalers, and to a lesser extent, directly to distributors, retailers, hospitals, clinics, government agencies and pharmacies. Gross revenues to the three largest pharmaceutical wholesalers in the U.S. as a percentage of global gross revenues were as follows:

	2016	2015	2014
McKesson Corporation	**22%**	21%	20%
AmerisourceBergen Corporation	**18%**	16%	17%
Cardinal Health, Inc.	**14%**	12%	12%

Selected geographic area information was as follows:

	Revenues			Property, Plant and Equipment	
Dollars in Millions	2016	2015	2014	2016	2015
United States	**$ 10,720**	$ 8,188	$ 7,716	**$ 3,865**	$ 3,681
Europe	**4,215**	3,491	3,592	**1,003**	616
Rest of the World[(a)]	**3,964**	4,142	3,459	**112**	115
Other[(b)]	**528**	739	1,112	**—**	—
Total	**$ 19,427**	$ 16,560	$ 15,879	**$ 4,980**	$ 4,412

(a) Includes Japan which represented 7%, 10% and 6% of total revenues in 2016, 2015 and 2014, respectively.
(b) Other revenues include royalties and alliance-related revenues for products not sold by our regional commercial organizations.

Product revenues were as follows:

	Year Ended December 31,		
Dollars in Millions	2016	2015	2014
Oncology			
Empliciti (elotuzumab)	**$ 150**	$ 3	$ —
Erbitux (cetuximab)*	**—**	501	723
Opdivo (nivolumab)	**3,774**	942	6
Sprycel (dasatinib)	**1,824**	1,620	1,493
Yervoy (ipilimumab)	**1,053**	1,126	1,308
Cardiovascular			
Eliquis (apixaban)	**3,343**	1,860	774
Immunoscience			
Orencia (abatacept)	**2,265**	1,885	1,652
Virology			
Baraclude (entecavir)	**1,192**	1,312	1,441
Hepatitis C Franchise	**1,578**	1,603	256
Reyataz (atazanavir sulfate) Franchise	**912**	1,139	1,362
Sustiva (efavirenz) Franchise	**1,065**	1,252	1,444
Neuroscience			
Abilify (aripiprazole)*	**128**	746	2,020
Mature Products and All Other	**2,143**	2,571	3,400
Total Revenues	**$ 19,427**	$ 16,560	$ 15,879

The composition of total revenues was as follows:

	Year Ended December 31,		
Dollars in Millions	**2016**	2015	2014
Net product sales	**$ 17,702**	$ 14,045	$ 11,660
Alliance revenues	**1,629**	2,408	3,828
Other revenues	**96**	107	391
Total Revenues	**$ 19,427**	$ 16,560	$ 15,879

Note 3 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 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. Several products such as *Empliciti*, *Erbitux*, Opdivo*, *Sprycel*, *Yervoy*, *Eliquis*, *Orencia, Sustiva* (*Atripla**) and *Abilify** as well as products comprising the diabetes alliance discussed below and certain mature and other brands were included in alliance arrangements.

Payments between alliance partners are accounted for and presented in the results of operations after considering the specific nature of the payment and the underlying activities to which the payments relate. Multiple alliance activities, including the transfer of rights, are only separated into individual units of accounting if they have standalone value from other activities that occur over the life of the arrangements. In these situations, the arrangement consideration is allocated to the activities or rights on a relative selling price basis. If multiple alliance activities or rights do not have standalone value, they are combined into a single unit of accounting.

The most common activities between BMS and its alliance partners are presented in results of operations as follows:

- When BMS is the principal in the end customer sale, 100% of product sales are included in net product sales. When BMS's alliance partner is the principal in the end customer sale, BMS's contractual share of the third-party sales and/or royalty income are included in alliance revenue as the sale of commercial products are considered part of BMS's ongoing major or central operations. Refer to "Revenue Recognition" included in "—Note 1. Accounting Policies" for information regarding recognition criteria.
- Amounts payable to BMS by alliance partners (who are the principal in the end customer sale) for supply of commercial products are included in alliance revenue as the sale of commercial products are considered part of BMS's ongoing major or central operations.
- Profit sharing, royalties and other sales-based fees payable by BMS to alliance partners are included in cost of products sold as incurred.
- Cost reimbursements between the parties are recognized as incurred and included in cost of products sold; marketing, selling and administrative expenses; or research and development expenses, based on the underlying nature of the related activities subject to reimbursement.
- Upfront and contingent development and approval milestones payable to BMS by alliance partners for investigational compounds and commercial products are deferred and amortized over the shorter of the contractual term or the periods in which the related compounds or products are expected to contribute to future cash flows. The amortization is presented consistent with the nature of the payment under the arrangement. For example, amounts received for investigational compounds are presented in other (income)/expense as the activities being performed at that time are not related to the sale of commercial products that are part of BMS’s ongoing major or central operations; amounts received for commercial products are presented in alliance revenue as the sale of commercial products are considered part of BMS’s ongoing major or central operations (except for the AstraZeneca alliance pertaining to the Amylin products - see further discussion under the specific AstraZeneca alliance disclosure herein).
- Upfront and contingent approval milestones payable by BMS to alliance partners for commercial products are capitalized and amortized over the shorter of the contractual term or the periods in which the related products are expected to contribute to future cash flows. The amortization is included in cost of products sold.
- Upfront and contingent milestones payable by BMS to alliance partners prior to regulatory approval are expensed as incurred and included in research and development expenses.
- Royalties and other contingent consideration payable to BMS by alliance partners related to the divestiture of such businesses are included in other income when earned.

- Equity in net income of affiliates is included in other (income)/expense.
- All payments between BMS and its alliance partners are presented in cash flows from operating activities, except as otherwise described below.

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.

	Year Ended December 31,		
Dollars in Millions	**2016**	2015	2014
Revenues from alliances:			
Net product sales	**$ 5,568**	$ 4,308	$ 3,531
Alliance revenues	**1,629**	2,408	3,828
Total Revenues	**$ 7,197**	$ 6,716	$ 7,359
Payments to/(from) alliance partners:			
Cost of products sold	**$ 2,129**	$ 1,655	$ 1,394
Marketing, selling and administrative	**(28)**	15	134
Research and development	**56**	693	8
Other (income)/expense	**(1,009)**	(733)	(1,076)
Noncontrolling interest, pretax	**16**	51	38

Selected Alliance Balance Sheet Information:

	December 31,	
Dollars in Millions	**2016**	2015
Receivables – from alliance partners	**$ 903**	$ 958
Accounts payable – to alliance partners	**555**	542
Deferred income from alliances[(a)]	**1,194**	1,459

(a) Includes unamortized upfront, milestone and other licensing proceeds, revenue deferrals attributed to *Atripla** and undelivered elements of diabetes business divestiture proceeds. Amortization of deferred income (primarily related to alliances) was $244 million in 2016, $307 million in 2015 and $362 million in 2014.

Upfront payments for new licensing and alliance agreements (including options to license or acquire the related assets) charged to research and development expenses were $15 million in 2016, $619 million in 2015 and $70 million in 2014.

Specific information pertaining to each of our significant alliances is discussed below, including their nature and purpose; the significant rights and obligations of the parties; specific accounting policy elections; and the income statement classification of and amounts attributable to payments between the parties.

Pfizer

BMS and Pfizer are parties to a worldwide co-development and co-commercialization agreement for *Eliquis*, an anticoagulant discovered by BMS. Pfizer funds between 50% and 60% of all development costs depending on the study. Profits and losses are shared equally on a global basis except in certain countries where Pfizer commercializes *Eliquis* and pays BMS compensation based on a percentage of net sales.

Upon entering into the agreement, co-exclusive license rights for the product were granted to Pfizer in exchange for an upfront payment and potential milestone payments. Both parties assumed certain obligations to actively participate in the alliance and actively participate in a joint executive committee and various other operating committees and have joint responsibilities for the research, development, distribution, sales and marketing activities of the alliance using resources in their own infrastructures. BMS manufactures the product in the alliance and is the principal in the end customer product sales in the U.S., significant countries in Europe, as well as Canada, Australia, China, Japan and South Korea. In 2015, BMS transferred full commercialization rights to Pfizer in certain smaller countries in order to simplify operations. In the transferred countries, BMS supplies the product to Pfizer at cost plus a percentage of the net sales to end-customers.

The Company determined the rights transferred to Pfizer did not have standalone value as such rights were not sold separately by BMS or any other party, nor could Pfizer receive any benefit for the delivered rights without the fulfillment of other ongoing obligations by BMS under the alliance agreement, including the exclusive supply arrangement. As such, the global alliance was treated as a single unit of accounting and upfront proceeds and any subsequent contingent milestone proceeds are amortized over the life of the related product.

BMS received $884 million in non-refundable upfront, milestone and other licensing payments related to *Eliquis* through December 31, 2016. Amortization of the *Eliquis* deferred income is included in other income as *Eliquis* was not a commercial product at the commencement of the alliance.

Summarized financial information related to this alliance was as follows:

	Year Ended December 31,		
Dollars in Millions	**2016**	2015	2014
Revenues from Pfizer alliance:			
Net product sales	**$ 3,306**	$ 1,849	$ 771
Alliance revenues	**37**	11	3
Total Revenues	**$ 3,343**	$ 1,860	$ 774
Payments to/(from) Pfizer:			
Cost of products sold – Profit sharing	**$ 1,595**	$ 895	$ 363
Other (income)/expense – Amortization of deferred income	**(55)**	(55)	(50)
Selected Alliance Cash Flow Information:			
Deferred income	**—**	20	100

Selected Alliance Balance Sheet Information:

	December 31,	
Dollars in Millions	**2016**	2015
Deferred income	**$ 521**	$ 576

Gilead

BMS and Gilead have joint ventures in the U.S. (for the U.S. and Canada) and in Europe to develop and commercialize *Atripla** (efavirenz 600 mg/ emtricitabine 200 mg/ tenofovir disoproxil fumarate 300 mg), combining *Sustiva*, a product of BMS, and *Truvada** (emtricitabine and tenofovir disoproxil fumarate), a product of Gilead. The joint ventures are consolidated by Gilead.

Both parties actively participate in a joint executive committee and various other operating committees with direct oversight over the activities of the joint ventures. The joint ventures purchase *Sustiva* and *Truvada** API in bulk form from the parties and complete the finishing of *Atripla**. The joint ventures or Gilead sell and distribute *Atripla** and are the principal in the end customer product sales. The parties no longer coordinate joint promotional activities.

Alliance revenue recognized for *Atripla** include only the bulk efavirenz component of *Atripla** which is based on the relative ratio of the average respective net selling prices of *Truvada** and *Sustiva.* Alliance revenue is deferred and the related alliance receivable is not recognized until the combined product is sold to third-party customers.

In Europe, following the 2013 loss of exclusivity of *Sustiva* and effective January 1, 2014, the percentage of *Atripla** net sales in Europe recognized by BMS is equal to the difference between the average net selling prices of *Atripla** and *Truvada**. This alliance will continue in Europe until either party terminates the arrangement or the last patent expires that allows market exclusivity to *Atripla**.

In the U.S., the agreement may be terminated by Gilead upon the launch of a generic version of *Sustiva* or by BMS upon the launch of a generic version of *Truvada** or its individual components. The loss of exclusivity in the U.S. for *Sustiva* is expected in December 2017. In the event Gilead terminates the agreement upon the loss of exclusivity for *Sustiva,* BMS will receive a quarterly royalty payment for 36 months following termination. Such payment in the first 12 months following termination is equal to 55% of *Atripla** net sales multiplied by the ratio of the difference in the average net selling prices of *Atripla** and *Truvada** to the *Atripla** average net selling price. In the second and third years following termination, the payment to BMS is reduced to 35% and 15%, respectively, of *Atripla** net sales multiplied by the price ratio described above. BMS will continue to supply *Sustiva* at cost plus a markup to the joint ventures during this three-year period, unless either party elects to terminate the supply arrangement.

Summarized financial information related to this alliance was as follows:

	Year Ended December 31,		
Dollars in Millions	**2016**	2015	2014
Revenues from Gilead alliances:			
Alliance revenues	**$ 934**	$ 1,096	$ 1,255
Equity in net loss of affiliates	**$ 12**	$ 17	$ 39

Selected Alliance Balance Sheet Information:

	December 31,	
Dollars in Millions	**2016**	2015
Deferred income	**$ 634**	$ 699

Otsuka

BMS has a worldwide commercialization agreement with Otsuka, to co-develop and co-promote *Abilify**, excluding certain Asian countries. The U.S. portion of the agreement expired in April 2015. The agreement expired in all EU countries in June 2014 and in each other non-U.S. country where we have the exclusive right to sell *Abilify**, the agreement expires on the later of April 20, 2015 or loss of exclusivity in any such country.

Both parties actively participated in joint executive governance and operating committees. Otsuka was responsible for providing all sales force efforts in the U.S. effective January 2013, however, BMS was responsible for certain operating expenses up to various annual limits. BMS purchased the API from Otsuka and completed the manufacturing of the product for subsequent sale to third-party customers in the U.S. and certain other countries. Otsuka assumed responsibility for providing and funding sales force efforts in the EU effective April 2013. BMS also provided certain other services including distribution, customer management and pharmacovigilance. BMS is the principal for the end customer product sales where it is the exclusive distributor for or has an exclusive right to sell *Abilify**. Otsuka was the principal for the end customer product sales in the U.S. and in the EU.

Alliance revenue only includes BMS’s share of total net sales to third-party customers in these territories. An assessment of BMS's expected annual contractual share was completed each quarterly reporting period and adjusted based upon reported U.S. *Abilify** net sales at year end. BMS's annual contractual share was 50% in 2015 and 33% in 2014. The alliance revenue recognized in any interim period or quarter did not exceed the amounts that were due under the contract.

BMS’s contractual share of third-party net sales was 65% in the EU. In these countries and the U.S., alliance revenue was recognized when *Abilify** was shipped and all risks and rewards of ownership had been transferred to third-party customers.

BMS and Otsuka also have an alliance for *Sprycel* in the U.S., Japan and the EU (the Oncology Territory). Both parties co-promote the product in the U.S. and EU. In February 2015, the co-promotion agreement with Otsuka was terminated in Japan. Both parties actively participate in various governance committees, however, BMS has control over the decision making. BMS is responsible for the development and manufacture of the product and is also the principal in the end customer product sales. *Ixempra** (ixabepilone) was included in the above alliance prior to BMS's divestiture of that business in 2015. A fee is paid to Otsuka based on the following percentages of combined annual net sales of *Sprycel* and *Ixempra** in the Oncology Territory (including post divestiture *Ixempra** sales):

	% of Net Sales	
	2010 - 2012	2013 - 2020
$0 to $400 million	30%	65%
$400 million to $600 million	5%	12%
$600 million to $800 million	3%	3%
$800 million to $1.0 billion	2%	2%
In excess of $1.0 billion	1%	1%

During these annual periods, Otsuka contributes 20% of the first $175 million of certain commercial operational expenses relating to the Oncology Products in the Oncology Territory and 1% of such costs in excess of $175 million.

Summarized financial information related to this alliance was as follows:

	Year Ended December 31,		
Dollars in Millions	**2016**	2015	2014
Revenues from Otsuka alliances:			
Net product sales	**$ 1,670**	$ 1,501	$ 1,493
Alliance revenues[(a)]	**2**	604	1,778
Total Revenues	**$ 1,672**	$ 2,105	$ 3,271
Payments to/(from) Otsuka:			
Cost of products sold:			
Oncology fee	**$ 304**	$ 299	$ 297
Royalties	**10**	30	90
Cost of product supply	**30**	35	67

(a) Includes the amortization of the extension payment as a reduction to alliance revenue of $21 million in 2015 and $66 million in 2014.

Lilly

BMS had a commercialization agreement with Lilly through Lilly's subsidiary ImClone for the co-development and promotion of *Erbitux** in the U.S., Canada and Japan. Both parties actively participated in a joint executive committee and various other operating committees and shared responsibilities for research and development using resources in their own infrastructures. Lilly manufactured bulk requirements for *Erbitux** in its own facilities and filling and finishing was performed by a third party for which BMS had oversight responsibility. BMS had exclusive distribution rights in North America and was responsible for promotional efforts in North America although Lilly had the right to co-promote in the U.S. at their own expense. BMS was the principal in the end customer product sales in North America and paid Lilly a distribution fee for 39% of *Erbitux** net sales in North America plus a share of certain royalties paid by Lilly. BMS's rights and obligations with respect to the commercialization of *Erbitux** in North America would have expired in September 2018.

In October 2015, BMS transferred its rights to *Erbitux** in North America to Lilly in exchange for sales-based royalties as described below. The transferred rights include, but are not limited to, full commercialization and manufacturing responsibilities. The transaction was accounted for as a business divestiture and resulted in a non-cash charge of $171 million for intangible assets directly related to the business and an allocation of goodwill.

BMS will receive royalties through September 2018, which is included in other income when earned. The royalty rates applicable to North America are 38% on *Erbitux** net sales up to $165 million in 2015, $650 million in 2016, $650 million in 2017 and $480 million in 2018, plus 20% on net sales in excess of those amounts in each of the respective years. Royalties earned were $227 million in 2016 and $56 million in 2015.

BMS shared rights to *Erbitux** in Japan under an agreement with Lilly and Merck KGaA and received 50% of the pretax profit from Merck KGaA's net sales of *Erbitux** in Japan which was further shared equally with Lilly. BMS transferred its co-commercialization rights in Japan to Merck KGaA in 2015 in exchange for sales-based royalties through 2032 which is included in other income when earned. Royalties earned were $19 million in 2016 and $14 million in 2015.

Summarized financial information related to this alliance was as follows:

	Year Ended December 31,		
Dollars in Millions	2016	2015	2014
Revenues from Lilly alliance:			
Net product sales	$ —	$ 492	$ 691
Alliance revenues	—	9	32
Total revenues	$ —	$ 501	$ 723
Payments to/(from) Lilly:			
Cost of products sold:			
Distribution fees and royalties	$ —	$ 204	$ 287
Amortization of intangible asset	—	11	37
Cost of product supply	—	46	69
Other (income)/expense:			
Royalties	(246)	(70)	—
Divestiture loss	—	171	—

AstraZeneca

Prior to the diabetes business divestiture discussed below, BMS had an alliance with AstraZeneca consisting of three worldwide co-development and commercialization agreements covering (1) *Onglyza** and related combination products sold under various names, (2) *Farxiga** and related combination products and, (3) beginning in August 2012 after BMS's acquisition of Amylin, Amylin's portfolio of products including *Bydureon**, *Byetta**, *Symlin** and *Myalept**, as well as certain assets owned by Amylin, including a manufacturing facility located in West Chester, Ohio.

Co-exclusive license rights for the product or products underlying each agreement were granted to AstraZeneca in exchange for an upfront payment and potential milestone payments, and both parties assumed certain obligations to actively participate in the alliance. Both parties actively participated in a joint executive committee and various other operating committees and had joint responsibilities for the research, development, distribution, sales and marketing activities of the alliance using resources in their own infrastructures. BMS manufactured the products in all three alliances and was the principal in the end customer product sales in substantially all countries.

For each alliance agreement, the rights transferred to AstraZeneca did not have standalone value as such rights were not sold separately by BMS or any other party, nor could AstraZeneca have received any benefit for the delivered rights without the fulfillment of other ongoing obligations by BMS under the alliance agreements, including the exclusive supply arrangement. As such, each global alliance was treated as a single unit of accounting. As a result, upfront proceeds and any subsequent contingent milestone proceeds were amortized over the life of the related products.

In 2012, BMS received a $3.6 billion non-refundable, upfront payment from AstraZeneca in consideration for entering into the Amylin alliance. In 2013, AstraZeneca exercised its option for equal governance rights over certain key strategic and financial decisions regarding the Amylin alliance and paid BMS $135 million as consideration. These payments were accounted for as deferred income and amortized based on the relative fair value of the predominant elements included in the alliance over their estimated useful lives (intangible assets related to *Bydureon** with an estimated useful life of 13 years, *Byetta** with an estimated useful life of 7 years, *Symlin** with an estimated life of 9 years, *Myalept** with an estimated useful life of 12 years, and the Amylin manufacturing plant with an estimated useful life of 15 years). The amortization was presented as a reduction to cost of products sold because the alliance assets were acquired shortly before the commencement of the alliance and AstraZeneca was entitled to share in the proceeds from the sale of any of the assets. The amortization of the acquired Amylin intangible assets and manufacturing plant was also presented in cost of products sold. BMS was entitled to reimbursements for 50% of capital expenditures related to the acquired Amylin manufacturing facility. BMS and AstraZeneca also shared in certain tax attributes related to the Amylin alliance.

Prior to the termination of the alliance, BMS received non-refundable upfront, milestone and other licensing payments of $300 million related to *Onglyza** and $250 million related to *Farxiga**. Amortization of the *Onglyza** and *Farxiga** deferred income was included in other income as *Onglyza** and *Farxiga** were not commercial products at the commencement of the alliance. Both parties also shared most commercialization and development expenses equally, as well as profits and losses.

In February 2014, BMS and AstraZeneca terminated their alliance agreements and BMS sold to AstraZeneca substantially all of the diabetes business comprising the alliance. The divestiture included the shares of Amylin and the resulting transfer of its Ohio manufacturing facility; the intellectual property related to *Onglyza** and *Farxiga** (including BMS's interest in the out-licensing agreement for *Onglyza** in Japan); and the purchase of BMS's manufacturing facility located in Mount Vernon, Indiana in 2015. Substantially all employees dedicated to the diabetes business were transferred to AstraZeneca.

BMS and AstraZeneca entered into several agreements in connection with the sale, including a supply agreement, a development agreement and a transitional services agreement. Under those agreements, BMS is obligated to supply certain products, including the active product ingredients for *Onglyza** and *Farxiga** through 2020; to perform ongoing development activities for certain clinical trial programs substantially through 2016; and to provide transitional services such as accounting, financial services, customer service, distribution, regulatory, development, information technology and certain other administrative services for various periods in order to facilitate the orderly transfer of the business operations.

Consideration for the transaction includes a $2.7 billion payment at closing; contingent regulatory and sales-based milestone payments of up to $1.4 billion (including $800 million related to approval milestones and $600 million related to sales-based milestones, payable in 2020); royalty payments based on net sales through 2025 and payments up to $225 million if and when certain assets are transferred to AstraZeneca. AstraZeneca will also pay BMS for any required product supply at a price approximating the product cost as well as negotiated transitional service fees.

Royalty rates on net sales are as follows:

	2014	2015	2016	2017	2018	2019	2020 - 2025
*Onglyza** and *Farxiga** Worldwide Net Sales up to $500 million	44%	35%	27%	12%	20%	22%	14-25%
*Onglyza** and *Farxiga** Worldwide Net Sales over $500 million	3%	7%	9%	12%	20%	22%	14-25%
Amylin products U.S. Net Sales	—	2%	2%	5%	10%	12%	5-12%

The stock and asset purchase agreement contained multiple elements to be delivered subsequent to the closing of the transaction, including the China diabetes business (transferred in 2014), the Mount Vernon, Indiana manufacturing facility (transferred in 2015), and the activities under the development and supply agreements. Each of these elements was determined to have a standalone value. As a result, a portion of the consideration received at closing was allocated to the undelivered elements using the relative selling price method after determining the best estimated selling price for each element. The remaining amount of consideration was included in the calculation for the gain on sale of the diabetes business. Contingent milestone and royalty payments are similarly allocated among the underlying elements if and when the amounts are determined to be payable to BMS. Amounts allocated to the sale of the business are immediately recognized in the results of operations. Amounts allocated to the other elements are recognized in the results of operations only to the extent each element has been delivered.

Consideration of $3.8 billion was accounted for in 2014 (including royalties and $700 million of contingent regulatory milestone payments related to the approval of *Farxiga** in both the U.S. and Japan). Approximately $3.3 billion of the consideration was allocated to the sale of the business and the remaining $492 million was allocated to the undelivered elements described above. The consideration includes $235 million of earned royalties, including $192 million allocated to elements that were delivered. The gain on sale of the diabetes business was $536 million, including $292 million during the third quarter of 2014 resulting primarily from the transfer of the China diabetes business to AstraZeneca. The gain was based on the difference between the consideration allocated to the sale of the business excluding royalties (net of transaction fees) and the carrying value of the diabetes business net assets (including a $600 million allocation of goodwill and the reversal of $821 million of net deferred tax liabilities attributed to Amylin). Consideration of $179 million was received in 2015 for the transfer of the Mount Vernon, Indiana manufacturing facility and related inventories resulting in a gain of $79 million for the amounts allocated to the delivered elements.

Consideration allocated to the development and supply agreements are amortized over the applicable service periods. Amortization of deferred income attributed to the development agreement was included in other income as the sale of these services are not considered part of BMS's ongoing major or central operations. Revenues attributed to the supply agreement were included in alliance revenues.

Consideration for the transaction is presented for cash flow purposes based on the allocation process described above, either as an investing activity if attributed to the sale of the business or related assets or as an operating activity if attributed to the transitional services, supply arrangement or development agreement.

In September 2015, BMS transferred a percentage of its future royalty rights on Amylin net product sales in the U.S. to CPPIB. The transferred rights represent approximately 70% of potential future royalties BMS is entitled to in 2019 to 2025. In exchange for the transfer, BMS will receive an additional tiered-based royalty on Amylin net product sales in the U.S. from CPPIB in 2016 through 2018. These royalties are presented in other income and were $134 million in 2016.

Summarized financial information related to the AstraZeneca alliances was as follows:

	Year Ended December 31,		
Dollars in Millions	2016	2015	2014
Revenues from AstraZeneca alliances:			
Net product sales	$ —	$ 14	$ 160
Alliance revenues	129	182	135
Total Revenues	$ 129	$ 196	$ 295
Payments to/(from) AstraZeneca:			
Cost of products sold – Profit sharing	$ —	$ 1	$ 79
Cost reimbursements from AstraZeneca	—	—	(33)
Other (income)/expense:			
Amortization of deferred income	(113)	(105)	(80)
Royalties	(227)	(215)	(192)
Transitional services	(7)	(12)	(90)
Divestiture gain	—	(82)	(536)
Selected Alliance Cash Flow Information:			
Deferred income	19	34	315
Divestiture and other proceeds	216	374	3,495

Selected Alliance Balance Sheet Information:

	December 31,	
Dollars in Millions	2016	2015
Deferred income – Services not yet performed for AstraZeneca	$ 38	$ 144

Sanofi

BMS and Sanofi have co-development and co-commercialization agreements for *Plavix** and *Avapro**/*Avalide**. Effective January 1, 2013, Sanofi assumed essentially all of the worldwide operations of the alliance with the exception of *Plavix** in the U.S. and Puerto Rico where BMS is the operating partner with a 50.1% controlling interest. In exchange for the rights transferred to Sanofi, BMS receives quarterly royalties from January 1, 2013 until December 31, 2018 and a terminal payment from Sanofi of $200 million at the end of 2018.

Royalties received from Sanofi in the territory covering the Americas and Australia, opt-out markets, and former development royalties are presented in alliance revenues and were $195 million in 2016, $211 million in 2015 and $223 million in 2014. Royalties attributed to the territory covering Europe and Asia continue to be earned by the territory partnership and are included in equity in net income of affiliates. Alliance revenues attributed to the supply of irbesartan API to Sanofi were $80 million in 2015 and $90 million in 2014. The supply arrangement for irbesartan expired in 2015.

Summarized financial information related to this alliance was as follows:

	Year Ended December 31,		
Dollars in Millions	**2016**	2015	2014
Revenues from Sanofi alliances:			
Net product sales	**$ 38**	$ 110	$ 102
Alliance revenues	**200**	296	317
Total Revenues	**$ 238**	$ 406	$ 419
Payments to/(from) Sanofi:			
Equity in net income of affiliates	**(95)**	(104)	(146)
Noncontrolling interest – pretax	**16**	51	38
Selected Alliance Cash Flow Information:			
Distributions (to)/from Sanofi – Noncontrolling interest	**(15)**	(45)	(49)
Distributions from Sanofi – Investment in affiliates	**99**	105	153

Selected Alliance Balance Sheet Information:	December 31,	
Dollars in Millions	**2016**	2015
Investment in affiliates – territory covering Europe and Asia[(a)]	**$ 21**	$ 25
Noncontrolling interest	**45**	44

(a) Included in alliance receivables.

The following is summarized financial information for interests in the partnerships with Sanofi for the territory covering Europe and Asia, which are not consolidated but are accounted for using the equity method:

	Year Ended December 31,		
Dollars in Millions	**2016**	2015	2014
Net sales	**$ 235**	$ 257	$ 360
Gross profit	**195**	213	297
Net income	**192**	209	292

Cost of products sold for the territory covering Europe and Asia includes discovery royalties of $20 million in 2016, $22 million in 2015 and $32 million in 2014, which are paid directly to Sanofi. All other expenses are shared based on the applicable ownership percentages. Current assets and current liabilities include approximately $69 million in 2016, $76 million in 2015 and $94 million in 2014 related to receivables/payables attributed to cash distributions to BMS and Sanofi as well as intercompany balances between partnerships within the territory.

Ono

BMS is the principal in the end customer product sales and has the exclusive right to develop, manufacture and commercialize *Opdivo*, an anti-PD-1 human monoclonal antibody being investigated as an anti-cancer treatment, in all territories worldwide except Japan, South Korea and Taiwan. Ono is entitled to receive royalties following regulatory approvals in all territories excluding the three countries listed above. Royalty rates on net sales are 4% in North America and 15% in all other applicable territories, subject to customary adjustments.

The alliance arrangement also includes collaboration activities in Japan, South Korea and Taiwan pertaining to *Opdivo*, *Yervoy* and several BMS investigational compounds. Both parties have the right and obligation to jointly develop and commercialize the compounds. BMS is responsible for supply of the products. Profits, losses and development costs are shared equally for all combination therapies involving compounds of both parties. Otherwise, sharing is 80% and 20% for activities involving only one of the party's compounds.

BMS and Ono also have an alliance to co-develop and co-commercialize *Orencia* in Japan. BMS is responsible for the order fulfillment and distribution of the intravenous formulation and Ono is responsible for the subcutaneous formulation. Both formulations are jointly promoted by both parties with assigned customer accounts and BMS is responsible for the product supply. A co-promotion fee of 60% is paid to the other party when a sale is made to that party's assigned customer and is recorded in cost of products sold.

Summarized financial information related to this alliance was as follows:

	Year Ended December 31,		
Dollars in Millions	**2016**	2015	2014
Revenues from Ono alliances:			
Net product sales	**$ 147**	$ 113	$ 113
Alliance revenues	**280**	61	28
Total Revenues	**$ 427**	$ 174	$ 141

AbbVie

BMS and AbbVie have an alliance for *Empliciti*, a humanized monoclonal antibody for the treatment of multiple myeloma. Under the terms of the alliance, BMS was granted exclusive global rights to co-develop and commercialize *Empliciti* from PDL BioPharma, Inc. (now part of AbbVie). AbbVie currently participates in joint development and U.S. commercialization committees which BMS has final decision making authority. Both parties are co-developing the product and AbbVie funds 20% of global development costs. BMS is solely responsible for supply, distribution and sales and marketing activities within the alliance and is the principal in the end customer product sales. AbbVie shares 30% of all profits and losses in the U.S. and is paid tiered royalties on net sales of *Empliciti* outside of the U.S. BMS paid AbbVie $140 million for certain regulatory milestone events including $52 million for approval milestones through December 31, 2016. AbbVie is also entitled to receive additional milestone payments from BMS if certain regulatory events occur ($120 million) and sales thresholds are achieved ($200 million). The agreement may be terminated at will by BMS or by either party for material breach by the other party (subsequent to a notice period).

Summarized financial information related to this alliance was as follows:

	Year Ended December 31,		
Dollars in Millions	**2016**	2015	2014
Revenues from AbbVie alliance:			
Net product sales	**$ 132**	$ 3	$ —

F-Star

In October 2014, BMS entered into an agreement with F-Star. The agreement provides BMS with an exclusive option to purchase F-Star and its Phase I ready lead asset FS102, a targeted therapy in development for the treatment of breast and gastric cancer among a well-defined population of HER2-positive patients.

BMS paid $50 million to F-Star and its shareholders in 2014 in consideration for the option grant and certain licensing rights (included in research and development expenses) and is responsible for conducting and funding the development of FS102. The option is exercisable at BMS's discretion and expires upon the earlier of 60 days following obtaining proof of concept or June 2018. An additional $100 million will be payable upon the exercise of the option plus an additional aggregate consideration of up to $325 million for contingent development and regulatory approval milestone payments in the U.S. and Europe. BMS is not obligated to provide any additional financial support to F-Star.

F-Star was determined not to be a business as defined in ASC 805 - Business Combinations. As a result, contingent consideration was not included in the purchase price and no goodwill was recognized. However, F-Star is a variable interest entity as its equity holders lack the characteristics of a controlling financial interest. BMS was determined to be the primary beneficiary because of both its power to direct the activities most significantly and directly impacting the economic performance of the entity and its option rights described above. Upon consolidation in 2014, noncontrolling interest was credited by $59 million to reflect the fair value of the FS102 IPRD asset ($75 million) and deferred tax liabilities.

Promedior

In September 2015, BMS purchased a warrant that gives BMS the exclusive right to acquire Promedior, a biotechnology company whose lead asset, PRM-151, is being developed for the treatment of IPF and MF. The warrant is exercisable upon completion of either of the IPF or MF Phase II clinical studies being conducted by Promedior, which is expected to occur no earlier than 2017. The upfront payment allocated to the warrant was $84 million and included in R&D expenses in 2015. The remaining $66 million of the $150 million upfront payment was allocated to Promedior's obligation to complete the Phase II studies which will be amortized over the expected period of the Phase II studies. The allocation was determined using Level 3 inputs. Following BMS's review of the Phase II clinical study results, if BMS elects to exercise the warrant it will be obligated to pay an additional $300 million (if based on the IPF study results) or $250 million (if based on the MF study results), plus additional aggregate consideration of up to $800 million for contingent development and regulatory approval milestone payments in the U.S. and Europe.

Five Prime

In November 2015, BMS and Five Prime entered into an exclusive worldwide licensing and collaboration agreement for the development and commercialization of Five Prime's CSF1R antibody program, including cabiralizumab (FPA008) currently in Phase I/II development for immunology and oncology indications. BMS will be responsible for the development, manufacturing and commercialization of cabiralizumab, subject to Five Prime's option to conduct certain studies at its cost to develop cabiralizumab in PVNS and in combination with its own internal oncology pipeline assets. Five Prime also retained an option to co-promote in the U.S. The agreement replaces a previous clinical collaboration agreement between the two parties.

In consideration for licensing rights, BMS made an upfront payment of $350 million in 2015 which was included in R&D expense. BMS will also be committed to pay up to $1.4 billion upon the achievement of contingent development and regulatory milestones as well as future royalties if the product is approved and commercialized.

Reckitt

In May 2013, BMS and Reckitt started a three-year alliance for several OTC products sold primarily in Mexico and Brazil. Reckitt received the right to sell, distribute and market the products through May 2016. BMS received royalties on net sales of the products and exclusively supplied certain of the products to Reckitt pursuant to a supply agreement at cost plus a markup. Certain limited assets, including marketing authorizations and certain employees directly attributed to the business, were transferred to Reckitt at the start of the alliance period. BMS retained ownership of all other assets related to the business including the trademarks covering the products.

In the framework of the alliance, BMS also granted Reckitt an option to acquire the trademarks, inventory and certain other assets exclusively related to the products at the end of the alliance period at a price determined primarily based upon a multiple of sales from May 2014 through May 2016. In April 2014, the alliance was modified to provide an option to Reckitt to purchase a BMS manufacturing facility located in Mexico primarily dedicated to the products included in the alliance as well as the related employees. In July 2015, Reckitt notified BMS that it was exercising its option. In May 2016, BMS sold the business for $317 million. Refer to "—Note 4. Acquisitions and Divestitures" for further information.

Non-refundable upfront proceeds of $485 million received by BMS in 2013 were allocated to two units of accounting, including the rights transferred to Reckitt and the fair value of the option to purchase the remaining assets using the best estimate of the selling price for these elements after considering various market factors. These market factors included an analysis of any estimated excess of the fair value of the business over the potential purchase price if the option is exercised. The fair value of the option was determined using Level 3 inputs and included in other liabilities. During 2015, BMS recognized other income of $123 million to decrease the fair value of the option to zero due to the strengthening of the U.S. dollar against local currencies. The amount allocated to the rights transferred to Reckitt is amortized as alliance revenue over the contractual term.

Summarized financial information related to this alliance was as follows:

	Year Ended December 31,		
Dollars in Millions	**2016**	2015	2014
Revenues from Reckitt alliance:			
Alliance revenues	**$ 48**	$ 140	$ 170
Other (income)/expense – Divestiture gain	**277**	—	—
Selected Alliance Cash Flow Information:			
Other changes in operating assets and liabilities	**$ —**	$ (129)	$ 20
Divestiture and other proceeds	**317**	—	—

Selected Alliance Balance Sheet Information:	December 31,	
Dollars in Millions	**2016**	2015
Deferred income	$ —	$ 36

The Medicines Company

In February 2013, BMS and The Medicines Company entered into a two-year alliance for *Recothrom**, a recombinant thrombin for use as a topical hemostat to control non-arterial bleeding during surgical procedures (previously acquired by BMS in connection with its acquisition of ZymoGenetics, Inc. in 2010). The Medicines Company received the right to sell, distribute and market *Recothrom** on a global basis for two years. BMS exclusively supplied *Recothrom** to The Medicines Company at cost plus a markup and received royalties on net sales of *Recothrom**. Certain employees directly attributed to the business and certain assets were transferred to The Medicines Company at the start of the alliance period, including the Biologics License Application and related regulatory assets. BMS retained all other assets related to *Recothrom** including the patents, trademarks and inventory.

BMS also granted The Medicines Company an option to acquire the patents, trademarks, inventory and certain other assets exclusively related to *Recothrom** at a price determined based on a multiple of sales (plus the cost of any remaining inventory held by BMS at that time). The Medicines Company exercised the option and acquired the business for $132 million in February 2015.

Non-refundable upfront proceeds of $115 million received by BMS in 2013 were allocated to two units of accounting, including the rights transferred to The Medicines Company and the fair value of the option to purchase the remaining assets using the best estimate of the selling price for these elements after considering various market factors. These market factors included an analysis of any estimated excess of the fair value of the business over the potential purchase price if the option is exercised. The fair value of the option was $35 million at December 31, 2014 and was determined using Level 3 inputs and included in accrued expenses. The amount allocated to the rights transferred to The Medicines Company was amortized as alliance revenue over the contractual term.

Summarized financial information related to this alliance was as follows:

	Year Ended December 31,	
Dollars in Millions	2015	2014
Revenues from The Medicines Company alliance:		
Alliance revenues	$ 8	$ 66
Other (income)/expense – Divestiture gain	(59)	—
Selected Alliance Cash Flow Information:		
Divestiture and other proceeds	$ 132	$ —

Valeant

In October 2012, BMS and PharmaSwiss SA, a wholly-owned subsidiary of Valeant entered into an alliance for certain mature brand products in Europe. Valeant received the right to sell, distribute, and market the products in Europe through December 31, 2014. BMS exclusively supplied the products to Valeant at cost plus a markup.

BMS also granted Valeant an option to acquire the trademarks and intellectual property exclusively related to the products at a price determined based on a multiple of sales. Valeant exercised the option and acquired the business for $61 million in January 2015.

Non-refundable upfront proceeds of $79 million received by BMS in 2012 were allocated to two units of accounting, including the rights transferred to Valeant and the fair value of the option to purchase the remaining assets using the best estimate of the selling price for these elements after considering various market factors. These market factors included an analysis of any estimated excess of the fair value of the business over the potential purchase price if the option is exercised. The fair value of the option was determined using Level 3 inputs and included in accrued expenses. A $16 million charge was included in other expenses to increase the fair value of the option to $34 million in 2014. The amount allocated to the rights transferred to Valeant was amortized as alliance revenue over the contractual term.

Summarized financial information related to this alliance was as follows:

	Year Ended December 31,	
Dollars in Millions	2015	2014
Revenues from Valeant alliance:		
Alliance revenues	$ (1)	$ 44
Other (income)/expense – Divestiture gain	(88)	—
Selected Alliance Cash Flow Information:		
Other changes in operating assets and liabilities	$ —	$ 16
Divestiture and other proceeds	61	—

Note 4 ACQUISITIONS AND DIVESTITURES

Acquisitions

Acquisitions are evaluated to determine whether it is a business, an asset or a group of assets. The following transactions were accounted for as asset acquisitions since they were determined not to be a business as that term is defined in ASC 805 - Business Combinations primarily because no significant processes were acquired. As a result, the amounts allocated to the lead investigational compounds were expensed and not capitalized. The consideration of each transaction was allocated as follows:

Dollars in Millions	Year	Upfront Payment	R&D Expense	Deferred Tax Assets[(a)]	Contingent Consideration
Cormorant	**2016**	**$ 35**	**$ 35**	**$ —**	**$ 485**
Padlock	**2016**	**150**	**139**	**11**	**453**
		$ 185	**$ 174**	**$ 11**	**$ 938**
Cardioxyl	2015	$ 200	$ 167	$ 33	$ 1,875
Flexus[(b)]	2015	814	800	14	450
		$ 1,014	$ 967	$ 47	$ 2,325
iPierian	2014	$ 175	$ 148	$ 27	$ 554

(a) Relates to net operating loss and tax credit carryforwards
(b) Includes $14 million of acquisition costs.

Cormorant

In July 2016, BMS acquired all of the outstanding shares of Cormorant, a private pharmaceutical company focused on the development of therapies for cancer and rare diseases. The acquisition provides BMS with full rights to Cormorant's lead candidate HuMax-IL8, a Phase I/II monoclonal antibody that represents a potentially complementary immuno-oncology mechanism of action to T-cell directed antibodies and co-stimulatory molecules. Contingent consideration includes development and regulatory milestone payments.

Padlock

In April 2016, BMS acquired all of the outstanding shares of Padlock, a private biotechnology company dedicated to creating new medicines to treat destructive autoimmune diseases. The acquisition provides BMS with full rights to Padlock's PAD inhibitor discovery program focused on the development of potentially transformational treatment approaches for patients with rheumatoid arthritis. Padlock's PAD discovery program may have additional utility in treating systemic lupus erythematosus and other autoimmune diseases. Contingent consideration includes development and regulatory milestone payments.

Cardioxyl

In December 2015, BMS acquired all of the outstanding shares of Cardioxyl, a private biotechnology company focused on the discovery and development of novel therapeutic agents for cardiovascular disease. The acquisition provided BMS with full rights to CXL-1427, a nitroxyl prodrug in Phase II development for acute decompensated heart failure. Contingent consideration includes development, regulatory and sales-based milestone payments.

Flexus

In April 2015, BMS acquired all of the outstanding shares of Flexus, a private biotechnology company focused on the discovery and development of novel anti-cancer therapeutics. The acquisition provided BMS with full rights to F001287, a preclinical small molecule IDO1-inhibitor targeted immunotherapy. In addition, BMS acquired Flexus's IDO/TDO discovery program which includes its IDO-selective, IDO/TDO dual and TDO-selective compounds. Contingent consideration includes development and regulatory milestone payments. A $100 million milestone was achieved and paid to former shareowners of Flexus in 2016 for the commencement of a Phase I clinical trial and included in R&D expense.

iPierian

In April 2014, BMS acquired all of the outstanding shares of iPierian, a private biotechnology company focused on new treatments for tauopathies, a class of neurodegenerative diseases. The acquisition provided BMS with full rights to IPN007, a preclinical monoclonal antibody to treat progressive supranuclear palsy and other tauopathies. Contingent consideration includes development and regulatory milestone payments and future royalties on net sales if any of the acquired preclinical assets are approved and commercialized.

Divestitures

	Proceeds[a]			Divestiture (Gains) / Losses			Royalties		
Dollars in Millions	**2016**	2015	2014	**2016**	2015	2014	**2016**	2015	2014
Investigational HIV medicines	**$ 387**	$ —	$ —	**$ (272)**	$ —	$ —	**$ —**	$ —	$ —
OTC products (Reckitt)	**317**	—	—	**(277)**	—	—	**—**	—	—
Diabetes	**333**	374	3,495	**—**	(82)	(536)	**(361)**	(215)	(192)
*Erbitux**	**252**	9	—	**—**	171	—	**(246)**	(70)	—
*Recothrom**	**—**	132	—	**—**	(59)	—	**—**	—	—
Mature brand products (Valeant)	**—**	61	—	**—**	(88)	—	**—**	—	—
*Ixempra**	**13**	113	—	**—**	(88)	—	**(11)**	(8)	—
Other	**15**	8	70	**(15)**	(48)	(28)	**—**	—	—
	$ 1,317	$ 697	$ 3,565	**$ (564)**	$ (194)	$ (564)	**$ (618)**	$ (293)	$ (192)

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

ViiV Healthcare

In February 2016, BMS sold its investigational HIV medicines business to ViiV Healthcare which includes a number of programs at different stages of discovery, preclinical and clinical development. The transaction excluded BMS's HIV marketed medicines. BMS earned transitional fees of $105 million for certain R&D and other services in 2016. In February 2016, BMS received an upfront payment of $350 million. BMS will also receive from ViiV Healthcare contingent development and regulatory milestone payments of up to $1.1 billion, sales-based milestone payments of up to $4.3 billion and future tiered royalties if the products are approved and commercialized.

Other Divestitures

Refer to "—Note 3. Alliances" for a discussion on the divestiture transactions with Reckitt, Lilly, The Medicines Company, Valeant and AstraZeneca. Revenues and pretax earnings related to these businesses were not material in 2016, 2015 and 2014 (excluding the divestiture gains).

Assets Held-For-Sale

Assets held-for-sale were $134 million at December 31, 2015 and included in prepaid expenses and other. The amount consisted primarily of goodwill related to the investigational HIV medicines business and the business comprising an alliance with Reckitt. The allocation of goodwill was determined using the relative fair value of the applicable business to the Company's reporting unit. Revenues and pretax earnings related to these businesses were not material in 2016, 2015 and 2014 (excluding the divestiture gains).

Note 5 OTHER (INCOME)/EXPENSE

Other (income)/expense includes:

	Year Ended December 31,		
Dollars in Millions	**2016**	2015	2014
Interest expense	**$ 167**	$ 184	$ 203
Investment income	**(105)**	(101)	(101)
Provision for restructuring	**109**	118	163
Litigation and other settlements	**47**	159	23
Equity in net income of affiliates	**(77)**	(83)	(107)
Divestiture gains	**(576)**	(196)	(564)
Royalties and licensing income	**(719)**	(383)	(283)
Transition and other service fees	**(238)**	(122)	(170)
Pension charges	**91**	160	877
Intangible asset impairment	**15**	13	29
Equity investment impairment	**45**	—	—
Written option adjustment	**—**	(123)	32
Loss on debt redemption	**—**	180	45
Other	**(44)**	7	63
Other (income)/expense	**$ (1,285)**	$ (187)	$ 210

- Litigation and other settlements includes $90 million in 2015 for a contractual dispute related to a license.
- Transition and other service fees were related to the divestiture of the diabetes and investigational HIV businesses in 2016 and the diabetes business in 2015 and 2014.
- Written option adjustments included the change in fair value of the written option liability attributed to the Reckitt alliance in 2015 and Valeant and Reckitt in 2014.
- A debt redemption loss of $180 million resulted from the early redemption of euro notes and a tender offer for certain other debt securities in 2015.
- Other includes an unrealized foreign exchange loss of $52 million in 2015 resulting from the remeasurement of the Bolivar-denominated cash and other monetary balances of BMS's wholly-owned subsidiary in Venezuela as of December 31, 2015. The exchange rate was changed to the SIMADI rate of 200 from the official CENCOEX rate of 6.3 after considering the limited amount of foreign currency exchanged during the second half of 2015, published exchange rates and the continuing deterioration of economic conditions in Venezuela.

Note 6 RESTRUCTURING

In October 2016, the Company announced a restructuring to evolve and streamline its operating model and expects to incur charges in connection with employee workforce reductions and early site exits. 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, accelerated depreciation on property, plant and equipment, impairments on long-lived assets and other site shutdown costs. Cash outlays in connection with these actions are expected to be approximately 40% to 50% of the total charges. Charges of approximately $90 million were recognized for these actions during the fourth quarter of 2016, primarily resulting from certain R&D employee workforce reductions and accelerated depreciation on expected early site exits. Restructuring charges are recognized upon meeting certain criteria, including finalization of committed plans, reliable estimates and discussions with local works councils in certain markets.

Other restructuring charges recognized prior to the above actions were primarily related to specialty care transformation initiatives designed to create a more simplified organization across all functions and geographic markets. In addition, accelerated depreciation and other charges were incurred in connection with early exits of a manufacturing site in Ireland and R&D site in the U.S.

Employee termination benefit costs were incurred for manufacturing, selling, administrative, and R&D employee workforce reductions across all geographic regions of approximately 1,100 in 2016, 1,200 in 2015 and 1,400 in 2014.

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

	Year Ended December 31,		
Dollars in Millions	**2016**	2015	2014
Employee termination costs	**$ 97**	$ 110	$ 157
Other termination costs	**12**	8	6
Provision for restructuring	**109**	118	163
Accelerated depreciation	**72**	104	138
Asset impairments	**13**	1	13
Other shutdown costs	**19**	10	—
Total charges	**$ 213**	$ 233	$ 314

	Year Ended December 31,		
Dollars in Millions	**2016**	2015	2014
Cost of products sold	**$ 21**	$ 84	$ 151
Research and development	**83**	31	—
Other (income)/expense	**109**	118	163
Total charges	**$ 213**	$ 233	$ 314

	Year Ended December 31,		
Dollars in Millions	**2016**	2015	2014
Liability at January 1	**$ 125**	$ 156	$ 102
Charges	**116**	133	155
Change in estimates	**(7)**	(15)	8
Provision for restructuring	**109**	118	163
Foreign currency translation	**—**	(15)	(2)
Spending	**(120)**	(134)	(107)
Liability at December 31	**$ 114**	$ 125	$ 156

Note 7 INCOME TAXES

The provision/(benefit) for income taxes consisted of:

	Year Ended December 31,		
Dollars in Millions	**2016**	2015	2014
Current:			
U.S.	**$ 1,144**	$ 337	$ 334
Non-U.S.	**468**	456	560
Total Current	**1,612**	793	894
Deferred:			
U.S.	**(101)**	(394)	(403)
Non-U.S.	**(103)**	47	(139)
Total Deferred	**(204)**	(347)	(542)
Total Provision	**$ 1,408**	$ 446	$ 352

Effective Tax Rate

The reconciliation of the effective tax/(benefit) rate to the U.S. statutory Federal income tax rate was:

	% of Earnings Before Income Taxes					
Dollars in Millions	**2016**		2015		2014	
Earnings/(Loss) before income taxes:						
U.S.	**$ 3,100**		$ (1,329)		$ (349)	
Non-U.S.	**2,815**		3,406		2,730	
Total	**$ 5,915**		$ 2,077		$ 2,381	
U.S. statutory rate	**2,070**	**35.0 %**	727	35.0 %	833	35.0 %
Foreign tax effect of certain operations in Ireland, Puerto Rico and Switzerland	**(442)**	**(7.5)%**	(535)	(25.8)%	(509)	(21.4)%
U.S. tax effect of capital losses	**—**	**—**	—	—	(361)	(15.2)%
U.S. Federal valuation allowance release	**(29)**	**(0.5)%**	(84)	(4.0)%	—	—
U.S. Federal, state and foreign contingent tax matters	**87**	**1.5 %**	56	2.7 %	228	9.6 %
U.S. Federal research based credits	**(144)**	**(2.4)%**	(132)	(6.4)%	(131)	(5.4)%
Goodwill allocated to divestitures	**34**	**0.6 %**	25	1.2 %	210	8.8 %
U.S. Branded Prescription Drug Fee	**52**	**0.9 %**	44	2.1 %	84	3.5 %
R&D charges	**100**	**1.7 %**	369	17.8 %	52	2.2 %
Puerto Rico excise tax	**(131)**	**(2.2)%**	(55)	(2.7)%	(28)	(1.2)%
Domestic manufacturing deduction	**(122)**	**(2.1)%**	(17)	(0.8)%	—	—
State and local taxes (net of valuation allowance)	**23**	**0.4 %**	16	0.8 %	20	0.8 %
Foreign and other	**(90)**	**(1.6)%**	32	1.6 %	(46)	(1.9)%
	$ 1,408	**23.8 %**	$ 446	21.5 %	$ 352	14.8 %

The effective tax rate is lower than the U.S. statutory rate of 35% primarily attributable to undistributed earnings of certain foreign subsidiaries that have been considered or are expected to be indefinitely reinvested offshore. U.S. taxes have not been provided on approximately $25.7 billion of undistributed earnings of foreign subsidiaries as of December 31, 2016. These undistributed earnings primarily relate to operations in Switzerland, Ireland and Puerto Rico. If these undistributed earnings are repatriated to the U.S. in the future, or if it were determined that such earnings are to be remitted in the foreseeable future, additional tax provisions would be required. Due to complexities in the tax laws and assumptions that would have to be made, it is not practicable to estimate the amounts of income taxes that will have to be provided. BMS operates under a favorable tax grant in Puerto Rico not scheduled to expire prior to 2023.

The divestiture of certain businesses resulted in capital loss tax benefits including $361 million from the sale of Amylin shares in 2014. Valuation allowances attributed to capital loss carryforwards were released in 2015 following the divestiture of *Recothrom**, *Ixempra** and other mature brands. Additional reserves of $123 million were established in 2014 for certain transfer pricing matters related to tax periods from 2008 through 2014. Orphan drug credits are included in the U.S. Federal research based credits for all periods presented. Goodwill allocated to business divestitures (including the diabetes business in 2014) was not deductible for tax purposes as well as the U.S. Branded Prescription Drug Fee in all periods. R&D charges resulting primarily from a milestone payment to the former shareholders of Flexus and the acquisitions of Padlock and Cormorant in 2016, Flexus and Cardioxyl in 2015 and iPierian in 2014 were also not deductible for tax purposes. Puerto Rico imposes an excise tax on the gross company purchase price of goods sold from our manufacturer in Puerto Rico. The excise tax is recognized in cost of products sold when the intra-entity sale occurs. For U.S. income tax purposes, the excise tax is not deductible but results in foreign tax credits that are generally recognized in our provision for income taxes when the excise tax is incurred. Increased manufacturing activities for *Opdivo* resulted in the higher domestic manufacturing deduction in 2016.

Deferred Taxes and Valuation Allowance

The components of current and non-current deferred income tax assets/(liabilities) were as follows:

	December 31,	
Dollars in Millions	**2016**	2015
Deferred tax assets		
Foreign net operating loss carryforwards	**$ 2,945**	$ 3,090
U.S. capital loss carryforwards	**4**	39
State net operating loss and credit carryforwards	**114**	324
U.S. Federal net operating loss and credit carryforwards	**156**	173
Deferred income	**764**	1,009
Milestone payments and license fees	**534**	560
Pension and postretirement benefits	**358**	462
Intercompany profit and other inventory items	**1,241**	607
Other foreign deferred tax assets	**188**	172
Share-based compensation	**114**	122
Legal and other settlements	**5**	63
Repatriation of foreign earnings	**12**	(1)
Internal transfer of intellectual property	**629**	635
Other	**287**	337
Total deferred tax assets	**7,351**	7,592
Valuation allowance	**(3,078)**	(3,534)
Deferred tax assets net of valuation allowance	**4,273**	4,058
Deferred tax liabilities		
Depreciation	**(125)**	(105)
Acquired intangible assets	**(344)**	(338)
Goodwill and other	**(855)**	(802)
Total deferred tax liabilities	**(1,324)**	(1,245)
Deferred tax assets, net	**$ 2,949**	$ 2,813
Recognized as:		
Deferred income taxes – non-current	**$ 2,996**	$ 2,844
Income taxes payable – non-current	**(47)**	(31)
Total	**$ 2,949**	$ 2,813

Internal transfers of intellectual property resulted in the deferred tax assets included above and prepaid taxes of $372 million at December 31, 2016 and $484 million of prepaid taxes at December 31, 2015. These assets are being amortized over their expected lives. Refer to Recently Issued Accounting Standards in "—Note 1. Accounting Policies" for information regarding the impact of amended guidance that the Company expects to adopt in 2017.

The U.S. Federal net operating loss carryforwards were $368 million at December 31, 2016. These carryforwards were acquired as a result of certain acquisitions and are subject to limitations under Section 382 of the Internal Revenue Code. The net operating loss carryforwards expire in varying amounts beginning in 2022. The foreign and state net operating loss carryforwards expire in varying amounts beginning in 2017 (certain amounts have unlimited lives).

At December 31, 2016, a valuation allowance of $3,078 million was established for the following items: $2,894 million primarily for foreign net operating loss and tax credit carryforwards, $101 million for state deferred tax assets including net operating loss and tax credit carryforwards, $11 million for U.S. Federal net operating loss carryforwards and $72 million for other U.S. Federal deferred tax assets.

Changes in the valuation allowance were as follows:

Dollars in Millions	Year Ended December 31, 2016	2015	2014
Balance at beginning of year	$ 3,534	$ 4,259	$ 4,623
Provision	39	71	140
Utilization	(355)	(436)	(109)
Foreign currency translation	(142)	(366)	(395)
Acquisitions	2	6	—
Balance at end of year	$ 3,078	$ 3,534	$ 4,259

Income tax payments were $2,041 million in 2016, $577 million in 2015 and $544 million in 2014. The current tax benefit realized as a result of stock related compensation credited to capital in excess of par value of stock was $92 million in 2016, $147 million in 2015 and $131 million in 2014.

Business is conducted in various countries throughout the world and is subject to tax in numerous jurisdictions. A significant number of tax returns that are filed are subject to examination by various Federal, state and local tax authorities. Tax examinations are often complex, as tax authorities may disagree with the treatment of items reported requiring several years to resolve. Liabilities are established for possible assessments by tax authorities resulting from known tax exposures including, but not limited to, transfer pricing matters, tax credits and deductibility of certain expenses. Such liabilities represent a reasonable provision for taxes ultimately expected to be paid and may need to be adjusted over time as more information becomes known. The effect of changes in estimates related to contingent tax liabilities is included in the effective tax rate reconciliation above.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows:

Dollars in Millions	Year Ended December 31, 2016	2015	2014
Balance at beginning of year	$ 944	$ 934	$ 756
Gross additions to tax positions related to current year	49	52	106
Gross additions to tax positions related to prior years	49	56	218
Gross additions to tax positions assumed in acquisitions	1	1	—
Gross reductions to tax positions related to prior years	(22)	(34)	(57)
Settlements	(13)	(46)	(65)
Reductions to tax positions related to lapse of statute	(4)	(9)	(12)
Cumulative translation adjustment	(9)	(10)	(12)
Balance at end of year	$ 995	$ 944	$ 934

Additional information regarding unrecognized tax benefits is as follows:

Dollars in Millions	Year Ended December 31, 2016	2015	2014
Unrecognized tax benefits that if recognized would impact the effective tax rate	$ 854	$ 671	$ 668
Accrued interest	112	93	96
Accrued penalties	17	16	17
Interest expense	22	2	27
Penalty expense/(benefit)	4	1	(7)

Accrued interest and penalties payable for unrecognized tax benefits are included in either current or non-current income taxes payable. Interest and penalties related to unrecognized tax benefits are included in income tax expense.

BMS is currently under examination by a number of tax authorities, including but not limited to the major tax jurisdictions listed in the table below, which have proposed or are considering proposing material adjustments to tax for issues such as transfer pricing, certain tax credits and the deductibility of certain expenses. BMS estimates that it is reasonably possible that the total amount of unrecognized tax benefits at December 31, 2016 will decrease in the range of approximately $255 million to $315 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, primarily settlement related, will involve the payment of additional taxes, the adjustment of certain deferred taxes and/or the recognition of tax benefits. It is reasonably possible that new issues will be raised by tax authorities that may increase unrecognized tax benefits; however, an estimate of such increases cannot reasonably be made at this time. BMS believes that it has adequately provided for all open tax years by tax jurisdiction.

The following is a summary of major tax jurisdictions for which tax authorities may assert additional taxes based upon tax years currently under audit and subsequent years that will likely be audited:

U.S.	2008 to 2016
Canada	2006 to 2016
France	2013 to 2016
Germany	2007 to 2016
Italy	2011 to 2016
Mexico	2011 to 2016

Note 8 EARNINGS PER SHARE

	Year Ended December 31,		
Amounts in Millions, Except Per Share Data	**2016**	2015	2014
Net Earnings Attributable to BMS used for Basic and Diluted EPS Calculation	**$ 4,457**	$ 1,565	$ 2,004
Weighted-average common shares outstanding - basic	**1,671**	1,667	1,657
Contingently convertible debt common stock equivalents	**—**	—	1
Incremental shares attributable to share-based compensation plans	**9**	12	12
Weighted-average common shares outstanding - diluted	**1,680**	1,679	1,670
Earnings per share - basic	**$ 2.67**	$ 0.94	$ 1.21
Earnings per share - diluted	**$ 2.65**	$ 0.93	$ 1.20

Note 9 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Financial instruments include cash and cash equivalents, marketable securities, accounts receivable and payable, debt instruments and derivatives.

Changes in exchange rates and interest rates create exposure to market risk. Certain derivative financial instruments are used when available on a cost-effective basis to hedge the underlying economic exposure. These instruments qualify as cash flow, net investment and fair value hedges upon meeting certain criteria, including effectiveness of offsetting hedged exposures. Changes in fair value of derivatives that do not qualify for hedge accounting are recognized in earnings as they occur. Derivative financial instruments are not used for trading purposes.

Financial instruments are subject to counterparty credit risk which is considered as part of the overall fair value measurement. Counterparty credit risk is monitored on an ongoing basis and mitigated by limiting amounts outstanding with any individual counterparty, utilizing conventional derivative financial instruments and only entering into agreements with counterparties that meet high credit quality standards. The consolidated financial statements would not be materially impacted if any counterparty failed to perform according to the terms of its agreement. Collateral is not required by any party whether derivatives are in an asset or liability position under the terms of the agreements.

Fair Value Measurements – The fair value of financial instruments are classified into one of the following categories:

Level 1 inputs utilize unadjusted quoted prices in active markets accessible at the measurement date for identical assets or liabilities. The fair value hierarchy provides the highest priority to Level 1 inputs.

Level 2 inputs utilize observable prices for similar instruments and quoted prices for identical or similar instruments in non-active markets. Additionally, certain corporate debt securities utilize a third-party matrix pricing model using significant inputs corroborated by market data for substantially the full term of the assets. Equity and fixed income funds are primarily invested in publicly traded securities valued at the respective net asset value of the underlying investments. Level 2 derivative instruments are valued using LIBOR yield curves, less credit valuation adjustments, and observable forward foreign exchange rates at the reporting date. Valuations of derivative contracts may fluctuate considerably from volatility in underlying foreign currencies and underlying interest rates driven by market conditions and the duration of the contract.

Level 3 unobservable inputs are used when little or no market data is available. There were no Level 3 financial assets or liabilities as of December 31, 2016 and 2015.

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

Dollars in Millions	December 31, 2016 Level 1	December 31, 2016 Level 2	December 31, 2015 Level 1	December 31, 2015 Level 2
Cash and cash equivalents - Money market and other securities	**$ —**	**$3,532**	$ —	$1,825
Marketable securities:				
Certificates of deposit	**—**	**27**	—	804
Commercial paper	**—**	**750**	—	—
Corporate debt securities	**—**	**3,947**	—	5,638
Equity funds	**—**	**101**	—	92
Fixed income funds	**—**	**7**	—	11
Derivative assets	**—**	**75**	—	96
Equity investments	**24**	**—**	60	—
Derivative liabilities	**—**	**(30)**	—	(18)

Available-for-sale Securities

The following table summarizes available-for-sale securities:

Dollars in Millions	Amortized Cost	Gross Unrealized Gain in Accumulated OCI	Gross Unrealized Loss in Accumulated OCI	Fair Value
December 31, 2016				
Certificates of deposit	**$ 27**	**$ —**	**$ —**	**$ 27**
Commercial paper	**750**	**—**	**—**	**750**
Corporate debt securities	**3,945**	**10**	**(8)**	**3,947**
Equity investments	**31**	**—**	**(7)**	**24**
Total	**$ 4,753**	**$ 10**	**$ (15)**	**$ 4,748**
December 31, 2015				
Certificates of deposit	$ 804	$ —	$ —	$ 804
Corporate debt securities	5,646	15	(23)	5,638
Equity investments	74	10	(24)	60
Total	$ 6,524	$ 25	$ (47)	$ 6,502

Dollars in Millions	**December 31, 2016**	December 31, 2015
Current marketable securities[(a)]	**$ 2,113**	$ 1,885
Non-current marketable securities[(b)]	**2,719**	4,660
Other assets	**24**	60
Total	**$ 4,856**	$ 6,605

(a) The fair value option for financial assets was elected for investments in equity and fixed income funds. The fair value of these investments were $108 million at December 31, 2016 and $103 million at December 31, 2015 and were included in current marketable securities. Changes in fair value were not significant.

(b) All non-current marketable securities mature within five years as of December 31, 2016 and 2015.

Qualifying Hedges

The following summarizes the fair value of outstanding derivatives:

		December 31, 2016		December 31, 2015	
Dollars in Millions	Balance Sheet Location	Notional	Fair Value	Notional	Fair Value
Derivatives designated as hedging instruments:					
Interest rate swap contracts	Prepaid expenses and other	$ 250	$ —	$ —	$ —
Interest rate swap contracts	Other assets	500	1	1,100	31
Interest rate swap contracts	Accrued liabilities	500	—	—	—
Interest rate swap contracts	Pension and other liabilities	255	(3)	650	(1)
Forward starting interest rate swap contracts	Prepaid expenses and other	500	8	—	—
Forward starting interest rate swap contracts	Other assets	—	—	500	15
Forward starting interest rate swap contracts	Accrued liabilities	250	(11)	—	—
Forward starting interest rate swap contracts	Pension and other liabilities	—	—	250	(7)
Foreign currency forward contracts	Prepaid expenses and other	967	66	1,016	50
Foreign currency forward contracts	Accrued liabilities	198	(9)	342	(5)
Derivatives not designated as hedging instruments:					
Foreign currency forward contracts	Prepaid expenses and other	106	—	—	—
Foreign currency forward contracts	Accrued liabilities	291	(4)	445	(5)
Foreign currency forward contracts	Pension and other liabilities	69	(3)	—	—

Cash Flow Hedges — Foreign currency forward contracts are used to hedge certain forecasted intercompany inventory purchase transactions and certain other foreign currency transactions. The effective portion of changes in fair value for contracts designated as cash flow hedges are temporarily reported in accumulated other comprehensive loss and included in earnings when the hedged item affects earnings. The net gains on foreign currency forward contracts are expected to be reclassified to net earnings (primarily included in cost of products sold) within the next two years. The notional amount of outstanding foreign currency forward contracts was primarily attributed to the euro ($617 million) and Japanese yen ($321 million) at December 31, 2016.

In 2015, BMS entered into $750 million of forward starting interest rate swap contracts maturing in March 2017 to hedge the variability of probable forecasted interest expense associated with potential future issuances of debt. The contracts are designated as cash flow hedges with the effective portion of fair value changes included in other comprehensive income.

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.

Net Investment Hedges — Non-U.S. dollar borrowings of €950 million ($993 million) at December 31, 2016 are designated to hedge the foreign 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 gains on the remeasurement of euro debt was $48 million, $80 million, and $79 million for 2016, 2015 and 2014, respectively, and were recorded in the foreign currency translation component of accumulated other comprehensive loss with the related offset in long-term debt.

Fair Value Hedges — Fixed-to-floating interest rate swap contracts are designated as fair value hedges 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. The effective interest rate for the contracts is one-month LIBOR (0.70% as of December 31, 2016) plus an interest rate spread ranging from (0.1)% to 4.6%. When the underlying swap is terminated prior to maturity, the fair value basis adjustment to the underlying debt instrument is amortized as a reduction to interest expense over the remaining life of the debt.

The notional amount of fixed-to-floating interest rate swap contracts executed was $255 million in 2016 and $200 million in 2014. The notional amount of fixed-to-floating interest rate swap contracts terminated was $500 million in 2016, $147 million in 2015 and $426 million in 2014 generating proceeds of $43 million in 2016, $28 million in 2015 and $119 million in 2014 (including accrued interest). Additional contracts were terminated in connection with debt redemptions in 2015 and 2014.

Debt Obligations

Short-term borrowings and the current portion of long-term debt includes:

Dollars in Millions	December 31, 2016	2015
Bank drafts and short-term borrowings	$ 243	$ 139
Current portion of long-term debt	749	—
Total	$ 992	$ 139

The average amount of commercial paper outstanding was $254 million at a weighted-average interest rate of 0.16% during 2015. The maximum month end amount of commercial paper outstanding was $755 million with no outstanding borrowings at December 31, 2015. There were no commercial paper borrowings in 2016.

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

Dollars in Millions	December 31, 2016	2015
Principal Value:		
0.875% Notes due 2017	$ 750	$ 750
1.750% Notes due 2019	500	500
2.000% Notes due 2022	750	750
7.150% Notes due 2023	302	302
3.250% Notes due 2023	500	500
1.000% Euro Notes due 2025	601	630
6.800% Notes due 2026	256	256
1.750% Euro Notes due 2035	601	630
5.875% Notes due 2036	404	404
6.125% Notes due 2038	278	278
3.250% Notes due 2042	500	500
4.500% Notes due 2044	500	500
6.880% Notes due 2097	260	260
0% - 5.75% Other - maturing 2017 - 2030	59	79
Subtotal	6,261	6,339
Adjustments to Principal Value:		
Fair value of interest rate swap contracts	(2)	30
Unamortized basis adjustment from swap terminations	287	272
Unamortized bond discounts and issuance costs	(81)	(91)
Total	$ 6,465	$ 6,550
Current portion of long-term debt	$ 749	$ —
Long-term debt	5,716	6,550

The fair value of long-term debt was $6,932 million and $6,909 million at December 31, 2016 and 2015, respectively, and was estimated using Level 2 inputs which are based upon the quoted market prices for the same or similar debt instruments. The fair value of short-term borrowings approximates the carrying value due to the short maturities of the debt instruments.

Senior unsecured notes were issued in a registered public offerings in 2015. The notes rank equally in right of payment with all of BMS's existing and future senior unsecured indebtedness and are redeemable in whole or in part, at any time at a predetermined redemption price. BMS also terminated forward starting interest rate swap contracts entered into during 2015, resulting in an unrealized loss in other comprehensive income. The following table summarizes the issuance of long-term debt obligations in 2015 (none in 2016 and 2014):

	2015	
Amounts in Millions	Euro	U.S. dollars
Principal Value:		
1.000% Euro Notes due 2025	€ 575	$ 643
1.750% Euro Notes due 2035	575	643
Total	€ 1,150	$ 1,286
Proceeds net of discount and deferred loan issuance costs	€ 1,133	$ 1,268
Forward starting interest rate swap contracts terminated:		
Notional amount	€ 500	$ 559
Unrealized loss	(16)	(18)

The following summarizes the debt redemption activity for 2015 and 2014 (none in 2016):

Dollars in Millions	2015	2014
Principal amount	$ 1,624	$ 582
Carrying value	1,795	633
Debt redemption price	1,957	676
Notional amount of interest rate swap contracts terminated	735	500
Interest rate swap termination payments	11	4
Loss on debt redemption[(a)]	180	45

(a) Including acceleration of debt issuance costs, loss on interest rate lock contract and other related fees.

Interest payments were $191 million in 2016, $205 million in 2015 and $238 million in 2014 net of amounts received from interest rate swap contracts.

We currently have two separate $1.5 billion revolving credit facilities from a syndicate of lenders. The facilities provide for customary terms and conditions with no financial covenants and were extended to October 2020 and July 2021. Each facility is extendable annually by one year on the anniversary date with the consent of the lenders. No borrowings were outstanding under either revolving credit facility at December 31, 2016 or 2015.

Available financial guarantees provided in the form of stand-by letters of credit and performance bonds were $812 million at December 31, 2016. Stand-by letters of credit are issued through financial institutions in support of guarantees for various obligations. Performance bonds are issued to support a range of ongoing operating activities, including sale of products to hospitals and foreign ministries of health, bonds for customs, duties and value added tax and guarantees related to miscellaneous legal actions. A significant majority of the outstanding financial guarantees will expire within the year and are not expected to be funded.

Note 10 RECEIVABLES

Dollars in Millions	December 31, 2016	2015
Trade receivables	$ 3,948	$ 3,070
Less charge-backs and cash discounts	(126)	(97)
Less bad debt allowances	(48)	(25)
Net trade receivables	3,774	2,948
Alliance receivables	903	958
Prepaid and refundable income taxes	627	182
Other	239	211
Receivables	$ 5,543	$ 4,299

Non-U.S. receivables sold on a nonrecourse basis were $618 million in 2016, $476 million in 2015, and $812 million in 2014. In the aggregate, receivables from three pharmaceutical wholesalers in the U.S. represented 66% and 53% of total trade receivables at December 31, 2016 and 2015, respectively.

Changes to the allowances for bad debt, charge-backs and cash discounts were as follows:

	Year Ended December 31,		
Dollars in Millions	2016	2015	2014
Balance at beginning of year	$ 122	$ 93	$ 89
Provision	1,613	1,059	773
Utilization	(1,561)	(1,030)	(769)
Balance at end of year	$ 174	$ 122	$ 93

Note 11 INVENTORIES

Dollars in Millions	December 31, 2016	2015
Finished goods	$ 310	$ 381
Work in process	988	868
Raw and packaging materials	264	199
Inventories	$ 1,562	$ 1,448
Inventories	$ 1,241	$ 1,221
Other assets	321	227

Other assets include inventory pending regulatory approval of $54 million at December 31, 2016 and $85 million at December 31, 2015 and other amounts expected to remain on-hand beyond one year.

Note 12 PROPERTY, PLANT AND EQUIPMENT AND LEASES

Dollars in Millions	December 31, 2016	2015
Land	$ 107	$ 107
Buildings	4,930	4,515
Machinery, equipment and fixtures	3,287	3,347
Construction in progress	849	662
Gross property, plant and equipment	9,173	8,631
Less accumulated depreciation	(4,193)	(4,219)
Property, plant and equipment	$ 4,980	$ 4,412

Depreciation expense was $448 million in 2016, $500 million in 2015 and $543 million in 2014.

Annual minimum rental commitments for non-cancelable operating leases (primarily real estate and motor vehicles) are approximately $100 million in each of the next five years and an aggregate $300 million thereafter. Operating lease expense was approximately $145 million in 2016 and $140 million in 2015 and 2014. Sublease income and capital lease obligations were not material for all periods presented.

Note 13 GOODWILL AND OTHER INTANGIBLE ASSETS

Dollars in Millions	Estimated Useful Lives	December 31, 2016	2015
Goodwill		$ 6,875	$ 6,881
Other intangible assets:			
Licenses	5 – 15 years	$ 564	$ 574
Developed technology rights	9 – 15 years	2,357	2,357
Capitalized software	3 – 10 years	1,441	1,302
IPRD		107	120
Gross other intangible assets		4,469	4,353
Less accumulated amortization		(3,084)	(2,934)
Total other intangible assets		$ 1,385	$ 1,419

Amortization expense of other intangible assets was $178 million in 2016, $183 million in 2015 and $286 million in 2014. Future annual amortization expense of other intangible assets is expected to be approximately $220 million in 2017, $200 million in 2018, $170 million in 2019, $130 million in 2020, and $100 million in 2021. Other intangible asset impairment charges were $33 million in 2016, $181 million in 2015 and $380 million in 2014.

A $160 million IPRD impairment charge was recognized in 2015 for BMS-986020 (LPA1 Antagonist) which was in Phase II development for treatment of IPF. The full write-off was required after considering the occurrence of certain adverse events, voluntary suspension of the study and an internal assessment indicating a significantly lower likelihood of regulatory and commercial success. BMS acquired BMS-986020 with its acquisition of Amira Pharmaceuticals, Inc. in 2011. In addition, a contingent consideration liability of $8 million related to the acquisition was also reversed because of the lower likelihood of success.

A $310 million IPRD impairment charge was recognized in 2014 for peginterferon lambda which was in Phase III development for treatment of HCV. The full write-off was required after assessing the potential commercial viability of the asset and estimating its fair value. The assessment considered the lower likelihood of filing for registration in certain markets after completing revised projections of revenues and expenses. A significant decline from prior projected revenues resulted from the global introduction of oral non-interferon products being used to treat patients with HCV and no other alternative uses for the product.

Note 14 ACCRUED LIABILITIES

Dollars in Millions	December 31, 2016	2015
Accrued rebates and returns	$ **1,680**	$ 1,324
Employee compensation and benefits	**818**	904
Accrued research and development	**718**	553
Dividends payable	**660**	655
Royalties	**246**	161
Branded Prescription Drug Fee	**234**	112
Restructuring	**90**	89
Pension and postretirement benefits	**44**	47
Litigation and other settlements	**43**	189
Other	**738**	704
Total accrued liabilities	$ **5,271**	$ 4,738

Note 15 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 January 1, 2014	2,208	$ 221	$ 1,922	$ (2,141)	$ 32,952	559	$ (17,800)	$ 82
Net earnings	—	—	—	—	2,004	—	—	39
Other comprehensive loss	—	—	—	(284)	—	—	—	—
Cash dividends	—	—	—	—	(2,415)	—	—	—
Stock compensation	—	—	(393)	—	—	(11)	755	—
Debt conversion	—	—	(22)	—	—	(1)	53	—
Variable interest entity	—	—	—	—	—	—	—	59
Distributions	—	—	—	—	—	—	—	(49)
Balance at December 31, 2014	2,208	221	1,507	(2,425)	32,541	547	(16,992)	131
Net earnings	—	—	—	—	1,565	—	—	84
Other comprehensive loss	—	—	—	(43)	—	—	—	—
Cash dividends	—	—	—	—	(2,493)	—	—	—
Stock compensation	—	—	(48)	—	—	(8)	431	—
Debt conversion	—	—	—	—	—	—	2	—
Distributions	—	—	—	—	—	—	—	(57)
Balance at December 31, 2015	2,208	221	1,459	(2,468)	31,613	539	(16,559)	158
Net earnings	**—**	**—**	**—**	**—**	**4,457**	**—**	**—**	**50**
Other comprehensive loss	**—**	**—**	**—**	**(35)**	**—**	**—**	**—**	**—**
Cash dividends	**—**	**—**	**—**	**—**	**(2,557)**	**—**	**—**	**—**
Stock repurchase program	**—**	**—**	**—**	**—**	**—**	**4**	**(231)**	**—**
Stock compensation	**—**	**—**	**266**	**—**	**—**	**(7)**	**11**	**—**
Distributions	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(38)**
Balance at December 31, 2016	**2,208**	**$ 221**	**$ 1,725**	**$ (2,503)**	**$ 33,513**	**536**	**$ (16,779)**	**$ 170**

Treasury stock is recognized at the cost to reacquire the shares. Shares issued from treasury are recognized utilizing the first-in first-out method.

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. Repurchases may be made either in the open market or through private transactions, including under repurchase 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.

On February 21, 2017, BMS entered into ASR agreements with each of Goldman, Sachs & Co. and Morgan Stanley & Co. LLC to repurchase approximately $2.0 billion of common stock in the aggregate. The ASR will be funded through a combination of debt and cash and are part of the existing share repurchase authorization. The total number of shares ultimately repurchased under the ASR will be determined upon final settlement and based on a discount to the volume-weighted average price of BMS's common stock during the ASR period which is expected to be completed by June 30, 2017.

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

	Year Ended December 31,								
	2016			2015			2014		
Dollars in Millions	**Pretax**	**Tax**	**After Tax**	Pretax	Tax	After Tax	Pretax	Tax	After Tax
Derivatives qualifying as cash flow hedges[(a)]									
Unrealized gains/(losses)	**$ (5)**	**$ —**	**$ (5)**	$ 59	$ (22)	$ 37	$ 139	$ (45)	$ 94
Reclassified to net earnings	**12**	**(3)**	**9**	(130)	42	(88)	(41)	16	(25)
Derivatives qualifying as cash flow hedges	**7**	**(3)**	**4**	(71)	20	(51)	98	(29)	69
Pension and other postretirement benefits:									
Actuarial losses	**(126)**	**(3)**	**(129)**	(88)	27	(61)	(1,414)	464	(950)
Amortization[(b)]	**78**	**(25)**	**53**	85	(28)	57	104	(37)	67
Settlements and curtailments[(c)]	**91**	**(32)**	**59**	160	(55)	105	867	(308)	559
Pension and other postretirement benefits	**43**	**(60)**	**(17)**	157	(56)	101	(443)	119	(324)
Available-for-sale securities:									
Unrealized gains/(losses)	**(12)**	**(1)**	**(13)**	(71)	14	(57)	10	(6)	4
Realized (gains)/losses[(c)]	**29**	**—**	**29**	3	—	3	(1)	—	(1)
Available-for-sale securities	**17**	**(1)**	**16**	(68)	14	(54)	9	(6)	3
Foreign currency translation	**(33)**	**(5)**	**(38)**	(17)	(22)	(39)	(8)	(24)	(32)
Total Other Comprehensive Income/(Loss)	**$ 34**	**$ (69)**	**$ (35)**	$ 1	$ (44)	$ (43)	$ (344)	$ 60	$ (284)

(a) Included in cost of products sold
(b) Included in cost of products sold, research and development, and marketing, selling and administrative expenses
(c) Included in other (income)/expense

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

	December 31,	
Dollars in Millions	**2016**	2015
Derivatives qualifying as cash flow hedges	**$ 38**	$ 34
Pension and other postretirement benefits	**(2,097)**	(2,080)
Available-for-sale securities	**(7)**	(23)
Foreign currency translation	**(437)**	(399)
Accumulated other comprehensive loss	**$ (2,503)**	$ (2,468)

Note 16 PENSION AND POSTRETIREMENT BENEFIT PLANS

BMS sponsors defined benefit pension plans, defined contribution plans and termination indemnity plans for regular full-time employees. The principal defined benefit pension plan is the Bristol-Myers Squibb Retirement Income Plan, covering most U.S. employees and representing approximately 66% of the consolidated pension plan assets and 61% of the obligations. Future benefits related to service for this plan were eliminated in 2009. BMS contributes at least the minimum amount required by the ERISA. Plan benefits are based primarily on the participant's years of credited service and final average compensation. Plan assets consist principally of equity and fixed-income securities.

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

Dollars in Millions	2016	2015	2014
Service cost — benefits earned during the year	$ 24	$ 25	$ 34
Interest cost on projected benefit obligation	192	242	305
Expected return on plan assets	(418)	(405)	(508)
Amortization of prior service credits	(3)	(3)	(3)
Amortization of net actuarial loss	84	91	110
Curtailments	—	(1)	1
Settlements	91	161	866
Special termination benefits	1	—	14
Net periodic benefit cost/(credit)	$ (29)	$ 110	$ 819

In September 2014, BMS and Fiduciary Counselors Inc., as an independent fiduciary of the Bristol-Myers Squibb Company Retirement Income Plan, entered into a definitive agreement to transfer certain U.S. pension assets to Prudential to settle approximately $1.5 billion of pension obligations. BMS purchased a group annuity contract from Prudential in December 2014, who irrevocably assumed the obligation to make future annuity payments to certain BMS retirees. The transaction does not change the amount of the monthly pension benefit received by affected retirees and surviving beneficiaries and resulted in a pretax settlement charge of $713 million. Pension settlement charges were also recognized after determining the annual lump sum payments will exceed the annual interest and service costs for certain pension plans, including the primary U.S. pension plan in 2016, 2015 and 2014.

Changes in defined benefit pension plan obligations, assets, funded status and amounts recognized in the consolidated balance sheets were as follows:

Dollars in Millions	2016	2015
Benefit obligations at beginning of year	$ 6,418	$ 7,068
Service cost—benefits earned during the year	24	25
Interest cost	192	242
Settlements	(173)	(336)
Actuarial (gains)/losses	253	(321)
Benefits paid	(109)	(105)
Foreign currency and other	(165)	(155)
Benefit obligations at end of year	$ 6,440	$ 6,418
Fair value of plan assets at beginning of year	$ 5,687	$ 6,148
Actual return on plan assets	513	(5)
Employer contributions	81	118
Settlements	(173)	(336)
Benefits paid	(109)	(105)
Foreign currency and other	(168)	(133)
Fair value of plan assets at end of year	$ 5,831	$ 5,687
Funded status	$ (609)	$ (731)
Assets/(Liabilities) recognized:		
Other assets	$ 26	$ 71
Accrued liabilities	(35)	(37)
Pension and other liabilities	(600)	(765)
Funded status	$ (609)	$ (731)
Recognized in accumulated other comprehensive loss:		
Net actuarial losses	$ 3,123	$ 3,140
Prior service credit	(39)	(39)
Total	$ 3,084	$ 3,101

The accumulated benefit obligation for defined benefit pension plans was $6,381 million and $6,363 million at December 31, 2016 and 2015, respectively.

Additional information related to pension plans was as follows:

Dollars in Millions	2016	2015
Pension plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligation	$ 6,195	$ 5,310
Fair value of plan assets	5,559	4,508
Pension plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligation	$ 5,978	$ 5,156
Fair value of plan assets	5,380	4,386

Actuarial Assumptions

Weighted-average assumptions used to determine defined benefit pension plan obligations at December 31 were as follows:

	2016	2015
Discount rate	3.5%	3.8%
Rate of compensation increase	0.5%	0.5%

Weighted-average actuarial assumptions used to determine defined benefit pension plan net periodic benefit (credit)/cost for the years ended December 31 were as follows:

	2016	2015	2014
Discount rate	3.8%	3.6%	4.2%
Expected long-term return on plan assets	7.2%	7.2%	7.6%
Rate of compensation increase	0.5%	0.8%	2.3%

The yield on high quality corporate bonds matching the duration of the benefit obligations is used in determining the discount rate. The Citi Pension Discount curve is used in developing the discount rate for the U.S. plans.

The expected return on plan assets was determined using the expected rate of return and a calculated value of assets, referred to as the "market-related value" which approximated the fair value of plan assets at December 31, 2016. Differences between assumed and actual returns are amortized to the market-related value on a straight-line basis over a three-year period. Several factors are considered in developing the expected return on plan assets, including long-term historical returns and input from external advisors. Individual asset class return forecasts were developed based upon market conditions, for example, price-earnings levels and yields and long-term growth expectations. The expected long-term rate of return is the weighted-average of the target asset allocation of each individual asset class. Historical long-term actual annualized returns for U.S. pension plans were as follows:

	2016	2015	2014
10 years	6.1%	6.7%	7.9%
15 years	7.1%	6.0%	6.4%
20 years	7.7%	8.1%	9.3%

Actuarial gains and losses resulted from changes in actuarial assumptions (such as changes in the discount rate and revised mortality rates) and from differences between assumed and actual experience (such as differences between actual and expected return on plan assets). Gains and losses are amortized over the life expectancy of the plan participants for U.S. plans (34 years in 2017) and expected remaining service periods for most other plans to the extent they exceed 10% of the higher of the market-related value or the projected benefit obligation for each respective plan. The amortization of net actuarial loss and prior service credit is expected to be approximately $75 million in 2017. The periodic benefit cost or credit is included in cost of products sold, research and development, and marketing, selling and administrative expenses, except for curtailments, settlements and other special termination benefits which are included in other expenses.

Postretirement Benefit Plans

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 medical plan is contributory. Contributions are adjusted periodically and vary by date of retirement. The life insurance plan is noncontributory. Plan assets consist principally of equity and fixed-income securities. Postretirement benefit plan obligations were $308 million and $355 million at December 31, 2016 and 2015, respectively, and the fair value of plan assets were $331 million and $328 million at December 31, 2016 and 2015, respectively. The weighted-average discount rate used to determine benefit obligations was 3.6% at December 31, 2016 and 2015. The net periodic benefit credits were not material.

Plan Assets

The fair value of pension and postretirement plan assets by asset category at December 31, 2016 and 2015 was as follows:

	December 31, 2016				December 31, 2015			
Dollars in Millions	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Plan Assets								
Equity securities	**$ 833**	**$ —**	**$ —**	**$ 833**	$ 785	$ —	$ —	$ 785
Equity funds	**138**	**1,230**	**—**	**1,368**	452	748	—	1,200
Fixed income funds	**—**	**804**	**—**	**804**	249	724	—	973
Corporate debt securities	**—**	**1,405**	**—**	**1,405**	—	1,382	—	1,382
U.S. Treasury and agency securities	**—**	**536**	**—**	**536**	—	517	—	517
Short-term investment funds	**—**	**90**	**—**	**90**	—	103	—	103
Insurance contracts	**—**	**—**	**112**	**112**	—	—	115	115
Cash and cash equivalents	**81**	**—**	**—**	**81**	106	—	—	106
Other	**—**	**93**	**—**	**93**	4	14	—	18
Plan assets subject to leveling	**$ 1,052**	**$ 4,158**	**$ 112**	**$ 5,322**	$ 1,596	$ 3,488	$ 115	$ 5,199
Plan assets measured at NAV as a practical expedient								
Equity funds				**$ 476**				$ 495
Venture capital and limited partnerships				**198**				249
Other				**166**				72
Total plan assets measured at NAV as a practical expedient				**840**				816
Net plan assets				**$ 6,162**				$ 6,015

The investment valuation policies per investment class are as follows:

> Level 1 inputs utilize unadjusted quoted prices in active markets accessible at the measurement date for identical assets or liabilities. The fair value hierarchy provides the highest priority to Level 1 inputs. These instruments include equity securities, equity funds and fixed income funds publicly traded on a national securities exchange, and cash and cash equivalents. Cash and cash equivalents are highly liquid investments with original maturities of three months or less at the time of purchase and are recognized at cost, which approximates fair value. Pending trade sales and purchases are included in cash and cash equivalents until final settlement.
>
> Level 2 inputs utilize observable prices for similar instruments, quoted prices for identical or similar instruments in non-active markets, and other observable inputs that can be corroborated by market data for substantially the full term of the assets or liabilities. Equity funds, fixed income funds, and short-term investment funds classified as Level 2 within the fair value hierarchy are valued at the net asset value of their shares held at year end, which represents fair value. Corporate debt securities and U.S. Treasury and agency securities classified as Level 2 within the fair value hierarchy are valued utilizing observable prices for similar instruments and quoted prices for identical or similar instruments in markets that are not active.
>
> Level 3 unobservable inputs are used when little or no market data is available. Insurance contracts are held by certain foreign pension plans and are carried at contract value, which approximates the estimated fair value and is based on the fair value of the underlying investment of the insurance company.

In May 2015, the FASB issued amended guidance removing the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share (or its equivalent) as a practical expedient. The guidance is applied retrospectively in the table above. Venture capital and limited partnership investments are typically only redeemable through distributions upon liquidation of the underlying assets. There were no significant unfunded commitments for these investments and essentially all liquidations are expected to occur by 2019. Most of the remaining investments using the practical expedient are redeemable on a weekly or monthly basis.

The following summarizes the activity for financial assets utilizing Level 3 fair value measurements:

Dollars in Millions	Insurance contracts
Fair value at January 1, 2015	$ 119
Purchases, sales and settlements, net	7
Realized losses	(11)
Fair value at December 31, 2015	115
Purchases, sales and settlements, net	**(3)**
Fair value at December 31, 2016	**$ 112**

The investment strategy is to maximize return while maintaining an appropriate level of risk to provide sufficient liquidity for benefit obligations and plan expenses. A target asset allocation of 43% public equity (16% international, 14% global and 13% U.S.), 7% private equity and 50% long-duration fixed income is maintained for the U.S. pension plans. Investments are diversified within each of the three major asset categories. Approximately 90% of the U.S. pension plans equity investments are actively managed. BMS common stock represents less than 1% of the plan assets at December 31, 2016 and 2015.

Contributions and Estimated Future Benefit Payments

Contributions to pension plans were $81 million in 2016, $118 million in 2015 and $124 million in 2014 and are expected to be approximately $100 million in 2017. Estimated annual future benefit payments (including lump sum payments) range from approximately $250 million to $400 million in each of the next five years, and aggregate $1.4 billion in the subsequent five year period.

Savings Plans

The principal defined contribution plan is the Bristol-Myers Squibb Savings and Investment Program. The contribution is based on employee contributions and the level of Company match. The expense attributed to defined contribution plans in the U.S. was approximately $190 million in 2016, 2015 and 2014.

Note 17 EMPLOYEE STOCK BENEFIT PLANS

On May 1, 2012, the shareholders approved the 2012 Plan, which replaced the 2007 Stock Incentive Plan. The 2012 Plan provides for 109 million shares to be authorized for grants, plus any shares from outstanding awards under the 2007 Plan as of February 29, 2012 that expire, are forfeited, canceled, or withheld to satisfy tax withholding obligations. As of December 31, 2016, 106 million shares were available for award. Shares are issued from treasury stock to satisfy our obligations under this Plan.

Executive officers and key employees may be granted options to purchase common stock at no less than the market price on the date the option is granted. Options generally become exercisable ratably over four years and have a maximum term of ten years. The plan provides for the granting of stock appreciation rights whereby the grantee may surrender exercisable rights and receive common stock and/or cash measured by the excess of the market price of the common stock over the option exercise price. The Company has not granted any stock options or stock appreciation rights since 2009.

Restricted stock units may be granted to key employees, subject to restrictions as to continuous employment. Generally, vesting occurs ratably over a four year period from grant date. A stock unit is a right to receive stock at the end of the specified vesting period but has no voting rights.

Market share units are granted to executives. Vesting is conditioned upon continuous employment until the vesting date and a payout factor of at least 60% of the share price on the award date. The payout factor is the share price on vesting date divided by share price on award date, with a maximum of 200%. The share price used in the payout factor is calculated using an average of the closing prices on the grant or vest date, and the nine trading days immediately preceding the grant or vest date. Vesting occurs ratably over four years.

Performance share units are granted to executives, have a three year cycle and are granted as a target number of units subject to adjustment. The number of shares issued when performance share units vest is determined based on the achievement of performance goals and based on the Company's three-year total shareholder return relative to a peer group of companies. Vesting is conditioned upon continuous employment and occurs on the third anniversary of the grant date.

Stock-based compensation expense for awards ultimately expected to vest is recognized over the vesting period. Forfeitures are estimated based on historical experience at the time of grant and revised in subsequent periods if actual forfeitures differ from those estimates. Other information related to stock-based compensation benefits are as follows:

	Years Ended December 31,		
Dollars in Millions	2016	2015	2014
Restricted stock units	$ 89	$ 82	$ 75
Market share units	37	36	34
Performance share units	79	117	104
Total stock-based compensation expense	$ 205	$ 235	$ 213
Income tax benefit	$ 69	$ 77	$ 71

	Stock Options		Restricted Stock Units		Market Share Units		Performance Share Units	
Shares in Thousands	Number of Options Outstanding	Weighted-Average Exercise Price of Shares	Number of Nonvested Awards	Weighted-Average Grant-Date Fair Value	Number of Nonvested Awards	Weighted-Average Grant-Date Fair Value	Number of Nonvested Awards	Weighted-Average Grant-Date Fair Value
Balance at January 1, 2016	10,327	$ 21.62	4,499	$ 50.02	1,809	$ 53.10	4,078	$ 56.17
Granted	—	—	2,348	60.56	731	65.26	1,097	64.87
Released/Exercised	(3,851)	22.60	(1,810)	45.00	(1,117)	44.33	(1,730)	54.02
Adjustments for actual payout	—	—	—	—	261	35.93	912	64.90
Forfeited/Canceled	(73)	22.65	(446)	55.06	(157)	60.55	(242)	62.30
Balance at December 31, 2016	6,403	21.02	4,591	56.90	1,527	61.63	4,115	60.97
Vested or expected to vest	6,403	21.02	4,112	56.64	1,401	61.39	3,956	60.81

Dollars in Millions	Restricted Stock Units	Market Share Units	Performance Share Units
Unrecognized compensation cost	$ 188	$ 42	$ 94
Expected weighted-average period in years of compensation cost to be recognized	2.7	2.8	1.6

Amounts in Millions, except per share data	2016	2015	2014
Weighted-average grant date fair value (per share):			
Restricted stock units	$ 60.56	$ 61.18	$ 52.22
Market share units	65.26	67.03	55.44
Performance share units	64.87	65.07	55.17
Fair value of awards that vested:			
Restricted stock units	$ 81	$ 77	$ 68
Market share units	50	47	49
Performance share units	93	75	90
Total intrinsic value of stock options exercised	$ 158	$ 206	$ 199

The fair value of restricted stock units, market share units and performance share units approximates the closing trading price of BMS's common stock on the grant date after adjusting for the units not eligible for accrued dividends. In addition, the fair value of market share units and performance share units considers the probability of satisfying the payout factor and total shareholder return, respectively.

The following table summarizes significant ranges of outstanding and exercisable options at December 31, 2016:

	Options Outstanding and Exercisable			
Range of Exercise Prices	Number Outstanding and Exercisable (in thousands)	Weighted-Average Remaining Contractual Life (in years)	Weighted-Average Exercise Price Per Share	Aggregate Intrinsic Value (in millions)
$1 - $20	**3,052**	**2.15**	**$ 17.54**	**$ 125**
$20 - $30	**3,351**	**0.78**	**24.18**	**115**
	6,403	**1.43**	**$ 21.02**	**$ 240**

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based on the closing stock price of $58.44 on December 31, 2016.

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 has been remanded to the Federal Court for further proceedings related to damages sought by Apotex. The Australian government has intervened in this matter and is also seeking damages for alleged losses experienced during the period when the injunction was in place. The Company and Apotex have settled the Apotex case, and the case has been dismissed. The Australian government's claim is still pending and a trial has been scheduled for August 2017. It is not possible at this time to predict the outcome of the Australian government's claim or its impact on the Company.

Sprycel - European Union

In May 2013, Apotex, Actavis Group PTC ehf, Generics [UK] Limited (Mylan) and an unnamed company filed oppositions in the European Patent Office (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. On February 1, 2017, the EPO Board of Appeal upheld the Opposition Division's decision, and the ‘038 patent has been revoked. 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 chronic myelogenous leukemia (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

On January 20, 2017, BMS and Ono announced the companies have signed a global patent license agreement with Merck to settle all patent-infringement litigation related to Merck’s PD-1 antibody *Keytruda** (pembrolizumab). The agreement will result in the dismissal with prejudice of all patent litigation between the companies pertaining to *Keytruda**. BMS and Ono had asserted in litigation that Merck’s sale of *Keytruda** infringed the companies’ patents relating to the use of PD-1 antibodies to treat cancer in the U.S., Europe (UK, Netherlands, France, Germany, Ireland, Spain and Switzerland), Australia and Japan.

As part of the agreement, Merck will make an initial payment of $625 million to BMS and Ono. Merck is also obligated to pay ongoing royalties on global sales of *Keytruda** of 6.5% from January 1, 2017 through December 31, 2023, and 2.5% from January 1, 2024 through December 31, 2026. Under the agreement, the companies have also granted certain rights to each other under their respective patent portfolios pertaining to PD-1. The initial payment and royalties will be shared between BMS and Ono on a 75/25 percent allocation, respectively after adjusting for each parties incurred legal fees.

In September 2015, Dana-Farber Cancer Institute (Dana-Farber) filed a complaint in Massachusetts federal court seeking to correct the inventorship of five related U.S. patents directed to methods of treating cancer using a PD-1 antibody. Specifically, Dana-Farber is seeking to add two scientists as inventors to these patents.

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**. It is not possible at this time to reasonably assess the outcome of these lawsuits or their potential impact on the Company.

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**. Currently, over 5,300 claims involving injury plaintiffs as well as claims by spouses and/or other beneficiaries, are 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. It is not possible at this time to reasonably assess the outcome of these lawsuits or the potential 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 Company has agreed in principle to resolve over 30 of these claims. The majority of these cases have been brought by individuals who allege personal injury sustained after using *Byetta**, primarily pancreatic cancer and pancreatitis, and, in some cases, claiming alleged wrongful death. The majority of cases were 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 have appealed to the U.S. Court of Appeals for the Ninth Circuit and the JCCP plaintiffs have appealed to the California Court of Appeal. 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. It is not possible to reasonably predict the outcome of any lawsuit, claim or proceeding or the potential impact on the Company.

*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 approximately 130 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.

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*. There have been over 80 cases filed in state and federal courts in the United States and two cases filed 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 Southern District of New York.

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. In May 2016, the Company filed motions to dismiss two of the shareholder derivative lawsuits.

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. The most significant investigations conducted by government agencies, of which the Company is aware, are listed below.

*Abilify** State Attorneys General Investigation

In March 2009, the Company received a letter from the Delaware Attorney General's Office advising of a multi-state coalition (Coalition) investigating whether certain *Abilify** marketing practices violated those respective states' consumer protection statutes. The Company and the Executive Committee of the Coalition have reached a settlement in this matter, and all but one of the states (New Mexico) that are members of the Coalition are participating in the settlement. Consent decrees were entered into with all participating states in December 2016.

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 $62 million at December 31, 2016, 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 $62 million includes the estimated costs for any additional probable loss associated with the previously disclosed North Brunswick Township High School Remediation Site.

Note 19 SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Dollars in Millions, except per share data	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2016					
Total Revenues	**$ 4,391**	**$ 4,871**	**$ 4,922**	**$ 5,243**	**$ 19,427**
Gross Margin	**3,339**	**3,665**	**3,617**	**3,860**	**14,481**
Net Earnings	**1,206**	**1,188**	**1,215**	**898**	**4,507**
Net Earnings Attributable to:					
Noncontrolling Interest	**11**	**22**	**13**	**4**	**50**
BMS	**1,195**	**1,166**	**1,202**	**894**	**4,457**
Earnings per Share - Basic[(a)]	**$ 0.72**	**$ 0.70**	**$ 0.72**	**$ 0.53**	**$ 2.67**
Earnings per Share - Diluted[(a)]	**0.71**	**0.69**	**0.72**	**0.53**	**2.65**
Cash dividends declared per common share	**$ 0.38**	**$ 0.38**	**$ 0.38**	**$ 0.39**	**$ 1.53**
Cash and cash equivalents	**$ 2,644**	**$ 2,934**	**$ 3,432**	**$ 4,237**	**$ 4,237**
Marketable securities[(b)]	**5,352**	**4,998**	**5,163**	**4,832**	**4,832**
Total Assets	**31,892**	**32,831**	**33,727**	**33,707**	**33,707**
Long-term debt[(c)]	**6,593**	**6,581**	**6,585**	**6,465**	**6,465**
Equity	**14,551**	**15,078**	**15,781**	**16,347**	**16,347**

Dollars in Millions, except per share data	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2015					
Total Revenues	$ 4,041	$ 4,163	$ 4,069	$ 4,287	$ 16,560
Gross Margin	3,194	3,150	2,972	3,335	12,651
Net Earnings/(Loss)	1,199	(110)	730	(188)	1,631
Net Earnings/(Loss) Attributable to:					
Noncontrolling Interest	13	20	24	9	66
BMS	1,186	(130)	706	(197)	1,565
Earnings/(Loss) per Share - Basic[(a)]	$ 0.71	$ (0.08)	$ 0.42	$ (0.12)	$ 0.94
Earnings/(Loss) per Share - Diluted[(a)]	0.71	(0.08)	0.42	(0.12)	0.93
Cash dividends declared per common share	$ 0.37	$ 0.37	$ 0.37	$ 0.38	$ 1.49
Cash and cash equivalents	$ 6,294	$ 4,199	$ 3,975	$ 2,385	$ 2,385
Marketable securities[(b)]	5,592	5,909	6,065	6,545	6,545
Total Assets	33,579	31,954	31,779	31,748	31,748
Long-term debt	7,127	6,615	6,632	6,550	6,550
Equity	15,689	15,291	15,273	14,424	14,424

(a) Earnings per share for the quarters may not add to the amounts for the year, as each period is computed on a discrete basis.
(b) Marketable securities includes current and non-current assets.
(c) Long-term debt includes the current portion.

The following specified items affected the comparability of results in 2016 and 2015:

2016

Dollars in Millions	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Cost of products sold[(a)]	**$ 4**	**$ 4**	**$ 7**	**$ 6**	**$ 21**
License and asset acquisition charges	**125**	**139**	**45**	**130**	**439**
IPRD impairments	**—**	**—**	**—**	**13**	**13**
Accelerated depreciation and other	**13**	**13**	**14**	**43**	**83**
Research and development	**138**	**152**	**59**	**186**	**535**
Provision for restructuring	**4**	**18**	**19**	**68**	**109**
Litigation and other settlements	**43**	**—**	**(3)**	**—**	**40**
Divestiture gains	**(269)**	**(277)**	**(13)**	**—**	**(559)**
Royalties and licensing income	**—**	**—**	**—**	**(10)**	**(10)**
Pension charges	**22**	**25**	**19**	**25**	**91**
Intangible asset impairment	**15**	**—**	**—**	**—**	**15**
Other (income)/expense	**(185)**	**(234)**	**22**	**83**	**(314)**
Increase/(decrease) to pretax income	**(43)**	**(78)**	**88**	**275**	**242**
Income tax on items above	**83**	**76**	**(3)**	**(105)**	**51**
Increase/(decrease) to net earnings	**$ 40**	**$ (2)**	**$ 85**	**$ 170**	**$ 293**

(a) Specified items in cost of products sold are accelerated depreciation, asset impairment and other shutdown costs.

2015

Dollars in Millions	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Cost of products sold[(a)]	$ 34	$ 25	$ 15	$ 10	$ 84
Marketing, selling and administrative[(b)]	1	3	2	4	10
License and asset acquisition charges	162	869	94	554	1,679
IPRD impairments	—	—	—	160	160
Accelerated depreciation and other	—	2	15	27	44
Research and development	162	871	109	741	1,883
Provision for restructuring	12	28	10	65	115
Litigation and other settlements	14	1	—	143	158
Divestiture (gains)/losses	(152)	(8)	(198)	171	(187)
Pension charges	27	36	48	49	160
Intangible asset impairment	13	—	—	—	13
Written option adjustment	(36)	—	(87)	—	(123)
Loss on debt redemption	—	180	—	—	180
Other (income)/expense	(122)	237	(227)	428	316
Increase/(decrease) to pretax income	75	1,136	(101)	1,183	2,293
Income tax on items above	(68)	(116)	43	(339)	(480)
Increase/(decrease) to net earnings	$ 7	$ 1,020	$ (58)	$ 844	$ 1,813

(a) Specified items in cost of products sold are accelerated depreciation, asset impairment and other shutdown costs.
(b) Specified items in marketing, selling and administrative are process standardization implementation costs.

REPORTS OF MANAGEMENT

Management's Responsibility for Financial Statements

Management is responsible for the preparation and integrity of the financial information presented in this Annual Report. The accompanying consolidated financial statements have been prepared in conformity with United States generally accepted accounting principles, applying certain estimates and judgments as required. In management's opinion, the consolidated financial statements present fairly the Company's financial position, results of operations and cash flows.

The Audit Committee of the Board of Directors meets regularly with the internal auditors, Deloitte & Touche LLP (D&T), the Company's independent registered accounting firm, and management to review accounting, internal control structure and financial reporting matters. The internal auditors and D&T have full and free access to the Audit Committee. As set forth in the Company's Standard of Business Conduct and Ethics, the Company is firmly committed to adhering to the highest standards of moral and ethical behavior in all of its business activities.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of management, including the chief executive officer and chief financial officer, management assessed the effectiveness of internal control over financial reporting as of December 31, 2016 based on the framework in "Internal Control—Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, management has concluded that the Company's internal control over financial reporting was effective at December 31, 2016 to provide reasonable assurance regarding the reliability of its financial reporting and the preparation of its financial statements for external purposes in accordance with United States generally accepted accounting principles. Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Deloitte & Touche LLP, an independent registered public accounting firm, has audited the Company's financial statements included in this report on Form 10-K and issued its report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2016, which is included herein.

Giovanni Caforio
Chief Executive Officer

Charles Bancroft
Chief Financial Officer

February 21, 2017

CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of December 31, 2016, management carried out an evaluation, under the supervision and with the participation of its chief executive officer and chief financial officer, of the effectiveness of the design and operation of its disclosure controls and procedures as such term is defined under Exchange Act Rule 13a-15(e). Based on this evaluation, management has concluded that as of December 31, 2016, such disclosure controls and procedures were effective.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of management, including the chief executive officer and chief financial officer, management assessed the effectiveness of internal control over financial reporting as of December 31, 2016 based on the framework in "Internal Control—Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, management has concluded that the Company's internal control over financial reporting was effective at December 31, 2016 to provide reasonable assurance regarding the reliability of its financial reporting and the preparation of its financial statements for external purposes in accordance with United States generally accepted accounting principles. Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Deloitte & Touche LLP, an independent registered public accounting firm, has audited the Company's financial statements included in this report on Form 10-K and issued its report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2016, which is included herein.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2016 that have materially affected, or are reasonable likely to materially affect, the Company's internal control over financial reporting.

OTHER INFORMATION

None.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Bristol-Myers Squibb Company

We have audited the accompanying consolidated balance sheets of Bristol-Myers Squibb Company and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of earnings, comprehensive income, and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Bristol-Myers Squibb Company and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 21, 2017 expressed an unqualified opinion on the Company's internal control over financial reporting.

Deloitte & Touche LLP

Parsippany, New Jersey
February 21, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Bristol-Myers Squibb Company

We have audited the internal control over financial reporting of Bristol-Myers Squibb Company and subsidiaries (the "Company") as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2016 of the Company and our report dated February 21, 2017 expressed an unqualified opinion on those consolidated financial statements.

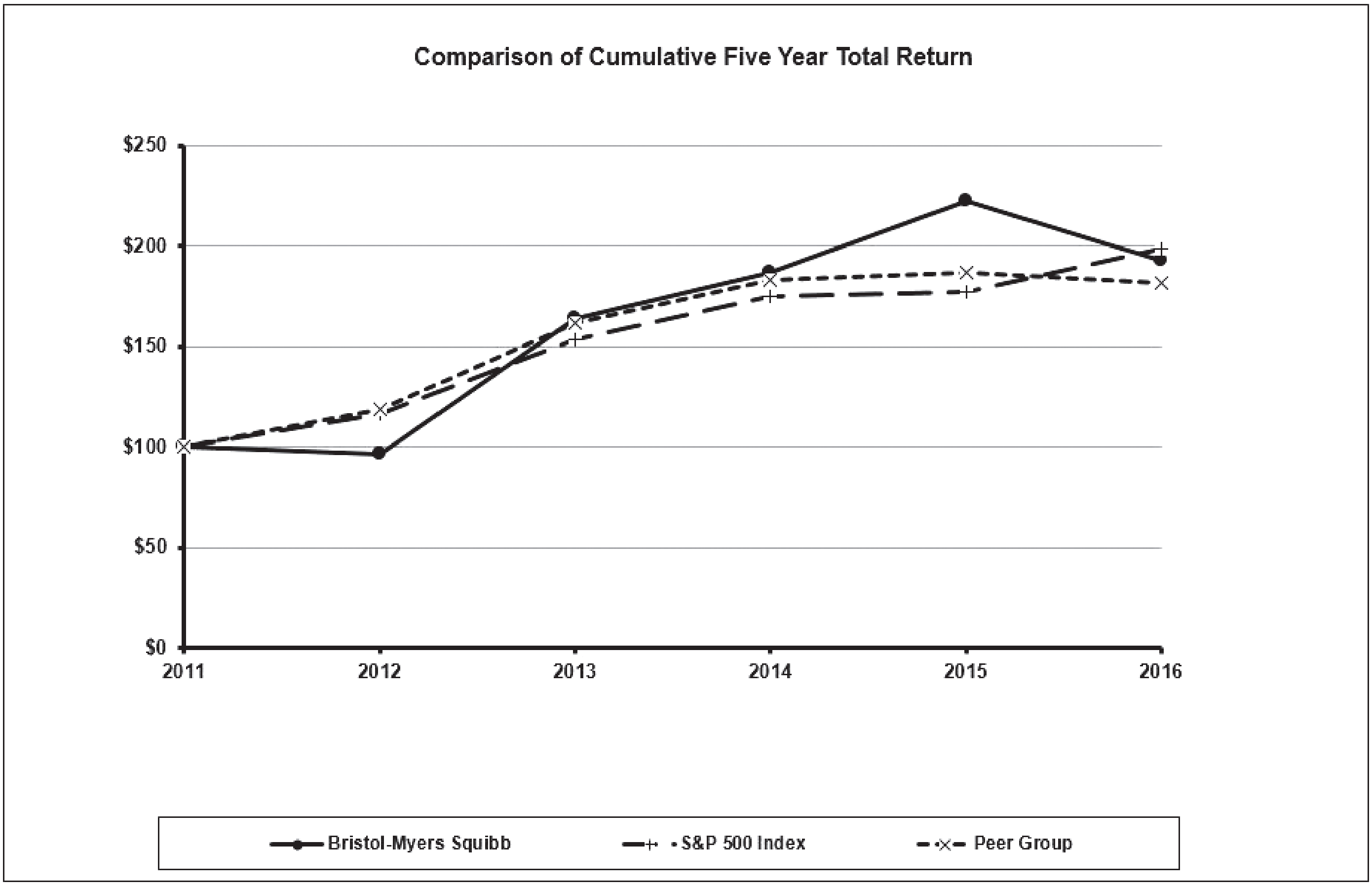
Deloitte & Touche LLP

Parsippany, New Jersey
February 21, 2017

PERFORMANCE GRAPH

The following performance graph compares the performance of Bristol-Myers Squibb for the periods indicated with the performance of the Standard & Poor's 500 Stock Index (S&P 500) and the average performance of a group consisting of our peer corporations on a line-of-business basis. The corporations making up our Peer Group are AbbVie Inc, Amgen Inc., AstraZeneca PLC, Biogen Inc., Celgene Corp, Eli Lilly and Company, Gilead Sciences, Inc., GlaxoSmithKline, Johnson & Johnson, Merck & Co., Inc., Novartis AG, Pfizer, Inc., Roche Holding Ltd., and Sanofi.

Total return indices reflect reinvested dividends and are weighted using beginning-period market capitalization for each of the reported time periods.



	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Bristol-Myers Squibb	$100	$ 96	$ 163	$ 186	$ 222	**$ 192**
S&P 500 Index	$100	$ 116	$ 154	$ 175	$ 177	**$ 198**
Peer Group	$100	$ 118	$ 161	$ 183	$ 186	**$ 181**

Assumes $100 invested on 12/31/2011 in Bristol-Myers Squibb common stock, S&P 500 index, and Peer Group. Values are as of December 31 of specified year assuming dividends are reinvested.

Five-Year Financial Summary

Amounts in Millions, except per share data	2016	2015	2014	2013	2012
Income Statement Data:[(a)]					
Total Revenues	**$ 19,427**	$ 16,560	$ 15,879	$ 16,385	$ 17,621
Continuing Operations:					
Net Earnings	**4,507**	1,631	2,029	2,580	2,501
Net Earnings Attributable to:					
Noncontrolling Interest	**50**	66	25	17	541
BMS	**4,457**	1,565	2,004	2,563	1,960
Net Earnings per Common Share Attributable to BMS:					
Basic	**$ 2.67**	$ 0.94	$ 1.21	$ 1.56	$ 1.17
Diluted	**$ 2.65**	$ 0.93	$ 1.20	$ 1.54	$ 1.16
Average common shares outstanding:					
Basic	**1,671**	1,667	1,657	1,644	1,670
Diluted	**1,680**	1,679	1,670	1,662	1,688
Cash dividends paid on BMS common and preferred stock	**$ 2,547**	$ 2,477	$ 2,398	$ 2,309	$ 2,286
Cash dividends declared per common share	**$ 1.53**	$ 1.49	$ 1.45	$ 1.41	$ 1.37
Financial Position Data at December 31:					
Cash and cash equivalents	**$ 4,237**	$ 2,385	$ 5,571	$ 3,586	$ 1,656
Marketable securities[(b)]	**4,832**	6,545	6,272	4,686	4,696
Total Assets	**33,707**	31,748	33,749	38,592	35,897
Long-term debt[(b)]	**6,465**	6,550	7,242	7,981	7,232
Equity	**16,347**	14,424	14,983	15,236	13,638

(a) For a discussion of items that affected the comparability of results for the years 2016, 2015 and 2014, refer to “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures.”

(b) Includes current and non-current portion.

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 2016 Annual Report. Throughout this 2016 Annual Report we have used terms which are defined below:

2016 Form 10-K	Annual Report on Form 10-K for the fiscal year ended December 31, 2016	Lilly	Eli Lilly and Company
AbbVie	AbbVie Inc.	MAA	Marketing Authorization Application
Amira	Amira Pharmaceuticals, Inc.	MCOs	Managed Care Organizations
Amylin	Amylin Pharmaceuticals, Inc.	mCRC	metastatic colorectal cancer
aNDA	abbreviated New Drug Application	Mead Johnson	Mead Johnson Nutrition Company
anti-CCP	anti-cyclic citrullinated peptide (also ACPA)	Medarex	Medarex, Inc.
API	active pharmaceutical ingredient	Merck	Merck & Co., Inc.
ASCT	autologous stem cell transplant	MF	myelofibrosis
ASR	accelerated share repurchase	MSI-H	high microsatellite instability
AstraZeneca	AstraZeneca PLC	MTX	methotrexate
auto-HSCT	autologous hematopoietic stem cell transplantation	mUC	metastatic urothelial carcinoma
BLA	Biologics License Application	NAV	net asset value
Cardioxyl	Cardioxyl Pharmaceuticals, Inc.	NDA	New Drug Application
CDAI	Clinical Disease Activity Index	Nitto Denko	Nitto Denko Corporation
CERCLA	U.S. Comprehensive Environmental Response, Compensation and Liability Act	NKT	natural killer T cells
cGMP	current Good Manufacturing Practices	Novartis	Novartis Pharmaceutical Corporation
cHL	classical Hodgkin lymphoma	NSCLC	non-small cell lung cancer
CHMP	Committee for Medicinal Products for Human Use	NSQ	non-squamous
Cormorant	Cormorant Pharmaceuticals	NVAF	nonvalvular atrial fibrillation
CPPIB	CPPIB Credit Europe S.A.R.L., a Luxembourg private limited liability company	OCI	Other Comprehensive Income
CSF1R	colony stimulating factor 1 receptor	OIG	Office of Inspector General of the U.S. Dept. of Health and Human Services
DMC	Data Monitoring Committee	Ono	Ono Pharmaceutical Co., Ltd.
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization	ORR	objective response rate
EC	European Commission	OTC	Over-the-counter
EGFR	Epidermal Growth Factor Receptor	Otsuka	Otsuka Pharmaceutical Co., Ltd.
ELA	excess loss account	PAD	Protein/Peptidyl Arginine Deiminase
EMA	European Medicines Agency	Padlock	Padlock Therapeutics, Inc.
EPO	European Patent Office	PBMs	Pharmacy Benefit Managers
EPS	earnings per share	PD-1	programmed death receptor-1
ERISA	Employee Retirement Income Security Act of 1974	PDMA	Prescription Drug Marketing Act
EU	European Union	Pfizer	Pfizer, Inc.
FASB	Financial Accounting Standards Board	PFS	progression-free survival
FCPA	Foreign Corrupt Practices Act	Portola	Portola Pharmaceuticals, Inc.
FDA	U.S. Food and Drug Administration	Promedior	Promedior, Inc.
Five Prime	Five Prime Therapeutics, Inc.	PRP	potentially responsible party
Flexus	Flexus Biosciences, Inc.	Prudential	The Prudential Insurance Company of America
F-Star	F-Star Alpha Ltd.	PSA	prostate-specific antigen
GAAP	U.S. generally accepted accounting principles	PVNS	pigmented vilonodular synovitis
GDD	Genetically Defined Diseases	R&D	Research and Development
Gilead	Gilead Sciences, Inc.	RA	rheumatoid arthritis
HCV	hepatitis C virus	RAVs	resistance-associated variants
HIV	human immunodeficiency virus	RCC	renal cell carcinoma
HR	hazard ratio	Reckitt	Reckitt Benckiser Group plc
HR 3590	The Patient Protection and Affordable Care Act	RF	rheumatoid factor
HSP47	heat shock protein 47	SCCHN	squamous cell carcinoma of the head and neck
IMAs	inventory management agreements	SCLC	small cell lung cancer
ImClone	ImClone Systems Incorporated	SEC	U.S. Securities and Exchange Commission
IO	Immuno-Oncology	SQ	squamous
Inhibitex	Inhibitex, Inc.	SVR	Sustained virologic response
IPF	idiopathic pulmonary fibrosis	the 2012 Plan	The 2012 Stock Award and Incentive Plan
iPierian	iPierian, Inc.	U.S.	United States
IPRD	in-process research and development	UK	United Kingdom
JMHLW	Japanese Ministry of Health, Labour and Welfare	Valeant	Valeant Pharmaceuticals International, Inc.
LDA	Low Disease Activity	VTE	venous thromboembolic
LIBOR	London Interbank Offered Rate	WTO	World Trade Organization

BRISTOL-MYERS SQUIBB | Board of Directors

Lamberto Andreotti
Chairman, Board of Directors,
Bristol-Myers Squibb

Giovanni Caforio, M.D.
Chief Executive Officer and Chairman-Designate,
Bristol-Myers Squibb

Peter J. Arduini
President and Chief Executive Officer,
Integra LifeSciences Holdings Corporation
(a)

Robert J. Bertolini
Former President and Chief Financial Officer,
Bausch & Lomb

Matthew W. Emmens
Retired Chief Executive Officer and Chairman,
Shire PLC

Laurie H. Glimcher, M.D.
President and CEO, Dana-Farber Cancer Institute;
Principal Investigator and Director, Dana-Farber/
Harvard Cancer Center; Richard and Susan Smith
Professor of Medicine, Harvard Medical School
(d)

Michael Grobstein
Retired Vice Chairman, Ernst & Young LLP
(a,c)

Alan J. Lacy
Non-Executive Chairman,
Dave & Buster's Entertainment, Inc.
(a,b)

Thomas J. Lynch, Jr., M.D.
Chairman and Chief Executive Officer,
Massachusetts General Physicians Organization
(b,d)

Dinesh C. Paliwal
Chairman, President and Chief Executive Officer,
Harman International Industries, Inc.
(a,b)

Theodore R. Samuels
Retired President, Capital Guardian Trust Company

Vicki L. Sato, Ph.D.
Professor of Management Practice,
Harvard Business School
(c,d)

Gerald L. Storch
Chief Executive Officer, Hudson's Bay Company
and Non-Executive Chairman of Supervalu, Inc.
(a,c)

Togo D. West, Jr.
Chairman, TLI Leadership Group
(b,c)

Members of the Board of Directors as of March 9, 2017. Only eleven members will be elected at the May 2, 2017 Annual Meeting.

(a) Audit Committee
(b) Committee on Directors and Corporate Governance
(c) Compensation and Management Development Committee
(d) Science and Technology Committee

BRISTOL-MYERS SQUIBB | Leadership Team

Giovanni Caforio, M.D.
Chief Executive Officer

Charles Bancroft
Executive Vice President, Chief Financial Officer, and Head of Global Business Operations

Emmanuel Blin
Senior Vice President, Chief Strategy Officer

Francis Cuss, MB BChir, FRCP
Executive Vice President and Chief Scientific Officer

John Elicker
Senior Vice President, Public Affairs and Investor Relations

Murdo Gordon
Executive Vice President, Chief Commercial Officer

Ann Powell Judge
Senior Vice President, Chief Human Resources Officer

Sandra Leung
Executive Vice President, General Counsel

Anne Nielsen
Senior Vice President, Chief Compliance and Ethics Officer

Lou Schmukler
President, Global Manufacturing and Supply

Paul von Autenried
Senior Vice President, Chief Information Officer

BRISTOL-MYERS SQUIBB | Stockholder Information

Common Stock

Ticker symbol: BMY
New York Stock Exchange

Annual Meeting of Stockholders

Tuesday, May 2, 2017 10:00 a.m.
Bristol-Myers Squibb Company
3401 Princeton Pike
Lawrence Township, NJ 08648

Stockholder Services

All inquiries concerning stockholder accounts and stock transfer matters – including address changes, the elimination of duplicate mailings and the Shareowner Services Plus Plan℠ – should be directed to the Company's Transfer Agent and Registrar:

Wells Fargo Shareowner Services
1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120-4100

www.shareowneronline.com

855-598-5485 (within the U.S.)
651-450-4064 (outside the U.S.)

A telecommunications relay service should be used by the hearing impaired when calling the telephone numbers above.

Shareowner Services Plus Plan℠

The Shareowner Services Plus Plan℠ is designed for long-term investors who wish to build share ownership in the Company's common stock over time. You can participate in the plan if you are a registered holder of the Company's common stock. If you do not own the Company's common stock, you can become a participant by making your initial purchase through the plan. The plan features dividend reinvestment, optional cash purchase, share safekeeping, and share sales and transfers. Bristol-Myers Squibb Company has appointed Wells Fargo Shareowner Services as Administrator for the plan. The plan is not sponsored or administered by Bristol-Myers Squibb Company.

Form 10-K

For a free copy of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, contact:

Corporate Secretary
Bristol-Myers Squibb Company
345 Park Avenue
New York, NY 10154-0037

The Form 10-K is also available at investor.bms.com.

The most recent certifications by the Company's chief executive officer and chief financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits to the Company's Form 10-K. The Company has also filed with the New York Stock Exchange the most recent Annual CEO Certification as required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.

Additional Information

Information on the following subjects is available at www.bms.com:

- Bristol-Myers Squibb Foundation
- Clinical Trials
- Compliance and Ethics
- Diversity and Workforce Statistics
- Patient Assistance Programs
- Policy and Advocacy Engagement and Political Contributions
- Sustainability/Environmental Programs

This Annual Report contains certain forward-looking information within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations and involve inherent risks and uncertainties that could cause actual outcomes and results to differ materially from current expectations. Please see page 24 in the Financial Review for a discussion and description of these risks and uncertainties. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

Product Names and Company Programs

Global products and company program names appearing throughout in italics are referred to herein by their registered and approved U.S. trademarks, unless specifically noted otherwise.

Abilify is a trademark of Otsuka Pharmaceutical Co., Ltd.

Adcetris is a trademark of Seattle Genetics, Inc.

Atripla is a trademark of Bristol-Myers Squibb and Gilead Sciences, LLC

Avapro/Avalide (known in the EU as *Aprovel/Karvea*) and *Plavix* are trademarks of Sanofi

Bydureon, *Byetta* and *Symlin* are trademarks of Amylin Pharmaceuticals, LLC

Erbitux is a trademark of ImClone LLC

Farxiga and *Onglyza* are trademarks of AstraZeneca AB

Gleevec is a trademark of Novartis AG

Ixempra is a trademark of R-Pharm US Operating, LLC

Keytruda is a trademark of Merck Sharp & Dohme Corp.

Myalept is a trademark of Aegerion Pharmaceuticals, Inc.

Prostvac is a trademark of BN ImmunoTherapeutics Inc.

Recothrom is a trademark of The Medicines Company

Revlimid is a trademark of Celgene Corporation

Truvada and *Tybost* are trademarks of Gilead Sciences, Inc. and/or one of its affiliates.

Brand names of products that are in all italicized letters, without an asterisk, are registered trademarks of Bristol-Myers Squibb and/or one of its subsidiaries.

Shareowner Services Plus Plan is a Service Mark of Wells Fargo Shareowner Services.

MANAGING THE PHYSICAL – AND EMOTIONAL – PAIN OF RA

Anyone who has been diagnosed with rheumatoid arthritis, or RA, knows firsthand about pain – from swollen, stiff joints to aching muscles and fatigue.

But for 28-year-old Callia Baines, not being able to live her life on her own terms because of the debilitating effects of RA caused an emotional pain that too often overshadowed her physical pain.

> "I NOW GET TO LIVE MY LIFE AND I'M **INCREDIBLY** GRATEFUL FOR THAT."

"I didn't really have a life," recalls Callia, who began noticing symptoms of RA as a teenager. "I couldn't hang out with my friends or, you know, just do normal things."

For years, Callia and her family sought medical answers to why she was experiencing painful foot cramps and spasms that spread to her legs or why she was exhausted all the time. Her symptoms drastically limited her activity in both high school and college. But a diagnosis wasn't immediate and Callia felt like she was left to deal with her condition all alone.

During one particular episode in college, Callia called her mom crying because the pain in her feet was so severe and she didn't know what to do. Her mom asked if she could ask some of her friends for help.

"I didn't really want to tell anyone," Callia says. "I didn't want anyone to pity me."

Finding an Answer

After graduating from college and taking a full-time job in human resources, the Maryland resident continued to have symptoms of RA but was still undiagnosed until four years ago when a casual game of tug-of-war with her dog inadvertently led to an answer.

While they were playing, the dog accidentally bit Callia's hand. The next morning she woke up to discover the same hand was swollen and red. She went to her doctor, who ruled out that the dog bite caused the swelling and ordered bloodwork. A test for RA came back positive.

Finally having a diagnosis brought clarity to Callia's world, but initial treatments to manage her RA didn't bring the relief she had hoped for. That's when her physician prescribed *Orencia*. Following treatment, Callia felt like she was regaining mobility and also experiencing less pain.

"I now get to live my life and I'm incredibly grateful for that," Callia says. "I feel like I can just be me."

Bristol-Myers Squibb

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