

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

**FORM 10-K**

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

For the fiscal year ended December 31, 2016

Commission File Number 1-1136

**BRISTOL-MYERS SQUIBB COMPANY**

(Exact name of registrant as specified in its charter)

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

**22-0790350**  
(IRS Employer  
Identification No.)

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

**Telephone: (212) 546-4000**

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.10 Par Value	New York Stock Exchange
1.000% Notes due 2025	New York Stock Exchange
1.750% Notes due 2035	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Title of each class  
\$2 Convertible Preferred Stock, \$1 Par Value

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

The aggregate market value of the 1,669,074,782 shares of voting common equity held by non-affiliates of the registrant, computed by reference to the closing price as reported on the New York Stock Exchange, as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2016) was approximately \$122,760,450,216. Bristol-Myers Squibb has no non-voting common equity. At February 1, 2017, there were 1,672,715,340 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the Proxy Statement for the registrant's Annual Meeting of Stockholders to be held May 2, 2017, to be filed within 120 days after the conclusion of the registrant's fiscal year ended December 31, 2016, are incorporated by reference into Part III of this Annual Report on Form 10-K.

**BRISTOL-MYERS SQUIBB COMPANY**  
**INDEX TO FORM 10-K**  
**DECEMBER 31, 2016**

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

## PART I

### Item 1. BUSINESS.

#### General

Bristol-Myers Squibb Company was incorporated under the laws of the State of Delaware in August 1933 under the name Bristol-Myers Company, as successor to a New York business started in 1887. In 1989, Bristol-Myers Company changed its name to Bristol-Myers Squibb Company as a result of a merger. We are engaged in the discovery, development, licensing, manufacturing, marketing, distribution and sale of biopharmaceutical products on a global basis. Refer to the Summary of Abbreviated Terms at the end of this 2016 Form 10-K for terms used throughout the document.

We operate in one segment—BioPharmaceuticals. For additional information about business segments, refer to “Item 8. Financial Statements—Note 2. Business Segment Information.”

We compete with other worldwide research-based drug companies, smaller research companies and generic drug manufacturers. Our products are sold worldwide, primarily to wholesalers, retail pharmacies, hospitals, government entities and the medical profession. We manufacture products in the U.S., Puerto Rico and in five foreign countries. Most of our revenues come from products in the following therapeutic classes: oncology; cardiovascular; immunoscience; and virology, including HIV infection.

The percentage of revenues by significant region/country were as follows:

Dollars in Millions	Year Ended December 31,		
	2016	2015	2014
United States	55%	49%	49%
Europe	22%	21%	23%
Japan	7%	10%	6%
Other	16%	20%	22%
Total Revenues	\$ 19,427	\$ 16,560	\$ 15,879

#### Acquisitions and Divestitures

Acquisitions in the last five years include Cormorant and Padlock in 2016, Cardioxyl and Flexus in 2015, iPierian in 2014 and Amylin and Inhibitex in 2012 and we also entered into several license and other collaboration arrangements. Divestitures in the last five years include certain OTC products and investigational HIV medicines businesses in 2016, *Erbitux*\* in North America and certain mature and other OTC product businesses in 2015 and our diabetes business in 2014. These transactions continue to allow us to focus our resources behind growth opportunities which drive the greatest long-term value.

#### Products, Intellectual Property and Product Exclusivity

Our pharmaceutical products include chemically-synthesized drugs, or small molecules, and products produced from biological processes, called “biologics.” Small molecule drugs are typically administered orally, e.g., in the form of a pill or tablet, although other drug delivery mechanisms are used as well. Biologics are typically administered to patients through injections or by intravenous infusion.

Below is a product summary including approved indications. For information about our alliance arrangements for the products below, refer to “—Alliances” below and “Item 8. Financial Statements—Note 3. Alliances.”

<i>Empliciti</i>	<i>Empliciti</i> , a biological product, is a humanized monoclonal antibody for the treatment of multiple myeloma.
<i>Opdivo</i>	<i>Opdivo</i> , a biological product, is a fully human monoclonal antibody that binds to the PD-1 on T and NKT cells. <i>Opdivo</i> has received approvals for several indications including melanoma, head and neck, lung, kidney and blood cancer. The <i>Opdivo</i> + <i>Yervoy</i> regimen also is approved in multiple markets for the treatment of melanoma. There are several ongoing potentially registrational trials for <i>Opdivo</i> across other tumor types and other disease areas.
<i>Sprycel</i>	<i>Sprycel</i> is a multi-targeted tyrosine kinase inhibitor approved 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 <i>Gleevec</i> * (imatinib mesylate).
<i>Yervoy</i>	<i>Yervoy</i> , a biological product, is a monoclonal antibody for the treatment of patients with unresectable or metastatic melanoma.

<i>Eliquis</i>	<i>Eliquis</i> is an oral Factor Xa inhibitor targeted at stroke prevention in atrial fibrillation and the prevention and treatment of VTE disorders.
<i>Orencia</i>	<i>Orencia</i> , a biological product, is a fusion protein with novel immunosuppressive activity targeted initially at adult patients with moderately to severely active RA who have had an inadequate response to certain currently available treatments.
<i>Baraclude</i>	<i>Baraclude</i> is a potent and selective inhibitor of the hepatitis B virus.
Hepatitis C Franchise	<i>Daklinza</i> (daclatasvir (DCV)) is an oral small molecule NS5A replication complex inhibitor for the treatment of HCV and was approved for use with Gilead's sofosbuvir.  <i>Sunvepra</i> (asunaprevir (ASV)) is an oral small molecule NS3 protease inhibitor for the treatment of HCV and is part of the dual regimen of DCV+ASV in Japan which is also currently in registration in China.  Beclabuvir (BCV) is an oral small molecule non-nucleoside NS5B inhibitor for the treatment of HCV and is part of the triple combination tablet, <i>Ximency</i> , (DCV+ASV+BCV) in Japan.
<i>Reyataz Franchise</i>	<i>Reyataz</i> is a protease inhibitor for the treatment of HIV. The <i>Reyataz Franchise</i> includes <i>Reyataz</i> and combination therapy <i>Evotaz</i> (atazanavir 300 mg and cobicistat 150 mg), a once-daily single tablet two drug regimen combining <i>Reyataz</i> and Gilead's <i>Tybost</i> * (cobicistat) for the treatment of HIV-1 infection in adults.
<i>Sustiva Franchise</i>	<i>Sustiva</i> is a non-nucleoside reverse transcriptase inhibitor for the treatment of HIV. The <i>Sustiva Franchise</i> includes <i>Sustiva</i> , an antiretroviral drug used in the treatment of HIV, as well as bulk efavirenz which is included in the combination therapy <i>Atripla</i> * (efavirenz 600 mg/ emtricitabine 200 mg/ tenofovir disoproxil fumarate 300 mg), a once-daily single tablet three-drug regimen combining our <i>Sustiva</i> and Gilead's <i>Truvada</i> * (emtricitabine and tenofovir disoproxil fumarate).

We own or license a number of patents in the U.S. and foreign countries primarily covering our products. We have also developed many brand names and trademarks for our products. We consider the overall protection of our patents, trademarks, licenses and other intellectual property rights to be of material value and act to protect these rights from infringement.

In the pharmaceutical industry, the majority of an innovative product's commercial value is usually realized during the period in which the product has market exclusivity. A product's market exclusivity is generally determined by two forms of intellectual property: patent rights held by the innovator company and any regulatory forms of exclusivity to which the innovative drug is entitled.

Patents are a key determinant of market exclusivity for most branded pharmaceuticals. Patents provide the innovator with the right to exclude others from practicing an invention related to the medicine. Patents may cover, among other things, the active ingredient(s), various uses of a drug product, pharmaceutical formulations, drug delivery mechanisms and processes for (or intermediates useful in) the manufacture of products. Protection for individual products extends for varying periods in accordance with the expiration dates of patents in the various countries. The protection afforded, which may also vary from country to country, depends upon the type of patent, its scope of coverage and the availability of meaningful legal remedies in the country.

Market exclusivity is also sometimes influenced by regulatory intellectual property rights. Many developed countries provide certain non-patent incentives for the development of medicines. For example, in the U.S., the EU, Japan, and certain other countries, regulatory intellectual property rights are offered as incentives for research on medicines for rare diseases, or orphan drugs, and on medicines useful in treating pediatric patients. These incentives can extend the market exclusivity period on a product beyond the patent term.

The U.S., EU and Japan also each provide for a minimum period of time after the approval of a new drug during which the regulatory agency may not rely upon the innovator's data to approve a competitor's generic copy, or data protection. In some regions such as China, however, it is questionable whether such data protection laws are enforceable. In certain markets where patent protection and other forms of market exclusivity may have expired, data protection can be of particular importance. However, most regulatory forms of exclusivity do not prevent a competitor from gaining regulatory approval prior to the expiration of regulatory data exclusivity on the basis of the competitor's own safety and efficacy data on its drug, even when that drug is identical to that marketed by the innovator.

Specific aspects of the law governing market exclusivity and data protection for pharmaceuticals vary from country to country. The following summarizes key exclusivity rules in markets representing significant sales:

#### *United States*

In the U.S., most of our key products are protected by patents with varying terms depending on the type of patent and the filing date. A significant portion of a product's patent life, however, is lost during the time it takes an innovative company to develop and obtain regulatory approval of a new drug. As compensation at least in part for the lost patent term, the innovator may, depending on a number of factors, extend the expiration date of one patent up to a maximum term of five years, provided that the extension cannot cause the patent to be in effect for more than 14 years from the date of drug approval.

A company seeking to market an innovative pharmaceutical in the U.S. must submit a complete set of safety and efficacy data to the FDA. If the innovative pharmaceutical is a chemical, the company files an NDA. If the medicine is a biological product, a BLA is filed. The type of application filed affects regulatory exclusivity rights.

### Chemical products

A competitor seeking to launch a generic substitute of a chemical innovative drug in the U.S. must file an aNDA with the FDA. In the aNDA, the generic manufacturer needs to demonstrate only “bioequivalence” between the generic substitute and the approved NDA drug. The aNDA relies upon the safety and efficacy data previously filed by the innovator in its NDA.

An innovator company is required to list certain of its patents covering the medicine with the FDA in what is commonly known as the Orange Book. Absent a successful patent challenge, the FDA cannot approve an aNDA until after the innovator’s listed patents expire. However, after the innovator has marketed its product for four years, a generic manufacturer may file an aNDA and allege that one or more of the patents listed in the Orange Book under an innovator’s NDA is either invalid or not infringed. This allegation is commonly known as a Paragraph IV certification. The innovator then must decide whether to file a patent infringement suit against the generic manufacturer. From time to time, aNDAs, including Paragraph IV certifications, are filed with respect to certain of our products. We evaluate these aNDAs on a case-by-case basis and, where warranted, file suit against the generic manufacturer to protect our patent rights.

In addition to benefiting from patent protection, certain innovative pharmaceutical products can receive periods of regulatory exclusivity. An NDA that is designated as an orphan drug can receive seven years of exclusivity for the orphan indication. During this time period, neither NDAs nor aNDAs for the same drug product can be approved for the same orphan use. A company may also earn six months of additional exclusivity for a drug where specific clinical trials are conducted at the written request of the FDA to study the use of the medicine to treat pediatric patients, and submission to the FDA is made prior to the loss of basic exclusivity.

Medicines approved under an NDA can also receive several types of regulatory data protection. An innovative chemical pharmaceutical is entitled to five years of regulatory data protection in the U.S., during which competitors cannot file with the FDA for approval of generic substitutes. If an innovator’s patent is challenged, as described above, a generic manufacturer may file its aNDA after the fourth year of the five-year data protection period. A pharmaceutical drug product that contains an active ingredient that has been previously approved in an NDA, but is approved in a new formulation, but not for the drug itself, or for a new indication on the basis of new clinical trials, receives three years of data protection for that formulation or indication.

### Biologic products

The U.S. healthcare legislation enacted in 2010 created an approval pathway for biosimilar versions of innovative biological products that did not previously exist. Prior to that time, innovative biologics had essentially unlimited regulatory exclusivity. Under the new regulatory mechanism, the FDA can approve products that are similar to (but not generic copies of) innovative biologics on the basis of less extensive data than is required by a full BLA. After an innovator has marketed its product for four years, any manufacturer may file an application for approval of a “biosimilar” version of the innovator product. However, although an application for approval of a biosimilar may be filed four years after approval of the innovator product, qualified innovative biological products will receive 12 years of regulatory exclusivity, meaning that the FDA may not approve a biosimilar version until 12 years after the innovative biological product was first approved by the FDA. The law also provides a mechanism for innovators to enforce the patents that protect innovative biological products and for biosimilar applicants to challenge the patents. Such patent litigation may begin as early as four years after the innovative biological product is first approved by the FDA.

In the U.S., the increased likelihood of generic and biosimilar challenges to innovators’ intellectual property has increased the risk of loss of innovators’ market exclusivity. First, generic companies have increasingly sought to challenge innovators’ basic patents covering major pharmaceutical products. Second, statutory and regulatory provisions in the U.S. limit the ability of an innovator company to prevent generic and biosimilar drugs from being approved and launched while patent litigation is ongoing. As a result of all of these developments, it is not possible to predict the length of market exclusivity for a particular product with certainty based solely on the expiration of the relevant patent(s) or the current forms of regulatory exclusivity.

### European Union

Patents on pharmaceutical products are generally enforceable in the EU and, as in the U.S., may be extended to compensate for the patent term lost during the regulatory review process. Such extensions are granted on a country-by-country basis.

The primary route we use to obtain marketing authorization of pharmaceutical products in the EU is through the “centralized procedure.” This procedure is compulsory for certain pharmaceutical products, in particular those using biotechnological processes, and is also available for certain new chemical compounds and products. A company seeking to market an innovative pharmaceutical product through the centralized procedure must file a complete set of safety data and efficacy data as part of an MAA with the EMA. After the EMA evaluates the MAA, it provides a recommendation to the EC and the EC then approves or denies the MAA. It is also possible for new chemical products to obtain marketing authorization in the EU through a “mutual recognition procedure,” in which an application is made to a single member state, and if the member state approves the pharmaceutical product under a national procedure, then the applicant may submit that approval to the mutual recognition procedure of some or all other member states.

After obtaining marketing authorization approval, a company must obtain pricing and reimbursement for the pharmaceutical product, which is typically subject to member state law. In certain EU countries, this process can take place simultaneously while the product is marketed but in other EU countries, this process must be completed before the company can market the new product. The pricing and reimbursement procedure can take months and sometimes years to complete.

Throughout the EU, all products for which marketing authorizations have been filed after October/November 2005 are subject to an “8+2+1” regime. Eight years after the innovator has received its first community authorization for a medicinal product, a generic company may file a marketing authorization application for that product with the health authorities. If the marketing authorization application is approved, the generic company may not commercialize the product until after either 10 or 11 years have elapsed from the initial marketing authorization granted to the innovator. The possible extension to 11 years is available if the innovator, during the first eight years of the marketing authorization, obtains an additional indication that is of significant clinical benefit in comparison with existing treatments. For products that were filed prior to October/November 2005, there is a 10-year period of data protection under the centralized procedures and a period of either six or 10 years under the mutual recognition procedure (depending on the member state).

In contrast to the U.S., patents in the EU are not listed with regulatory authorities. Generic versions of pharmaceutical products can be approved after data protection expires, regardless of whether the innovator holds patents covering its drug. Thus, it is possible that an innovator may be seeking to enforce its patents against a generic competitor that is already marketing its product. Also, the European patent system has an opposition procedure in which generic manufacturers may challenge the validity of patents covering innovator products within nine months of grant.

In general, EU law treats chemically-synthesized drugs and biologically-derived drugs the same with respect to intellectual property and data protection. In addition to the relevant legislation and annexes related to biologic medicinal products, the EMA has issued guidelines that outline the additional information to be provided for biosimilar products, also known as generic biologics, in order to review an application for marketing approval.

### *Japan*

In Japan, medicines of new chemical entities are generally afforded eight years of data exclusivity for approved indications and dosage. Patents on pharmaceutical products are enforceable. Generic copies can receive regulatory approval after data exclusivity and patent expirations. As in the U.S., patents in Japan may be extended to compensate for the patent term lost during the regulatory review process.

In general, Japanese law treats chemically-synthesized and biologically-derived drugs the same with respect to intellectual property and market exclusivity.

### *Rest of the World*

In countries outside of the U.S., the EU and Japan, there is a wide variety of legal systems with respect to intellectual property and market exclusivity of pharmaceuticals. Most other developed countries utilize systems similar to either the U.S. or the EU. Among developing countries, some have adopted patent laws and/or regulatory exclusivity laws, while others have not. Some developing countries have formally adopted laws in order to comply with WTO commitments, but have not taken steps to implement these laws in a meaningful way. Enforcement of WTO actions is a long process between governments, and there is no assurance of the outcome. Thus, in assessing the likely future market exclusivity of our innovative drugs in developing countries, we take into account not only formal legal rights but political and other factors as well.

In the U.S., the EU and some other countries, when these patent rights and other forms of exclusivity expire and generic versions of a medicine are approved and marketed, there are often substantial and rapid declines in the sales of the original innovative product. For further discussion of patent rights and regulatory forms of exclusivity, refer to “—Intellectual Property and Product Exclusivity” below. For further discussion of the impact of generic competition on our business, refer to “—*Generic Competition*” below.

The following chart shows our key products together with the year in which the earliest basic exclusivity loss (patent rights or data exclusivity) occurred or is currently estimated to occur in the U.S., the EU and Japan. We also sell our pharmaceutical products in other countries; however, data is not provided on a country-by-country basis because individual country revenues are not significant outside the U.S., the EU and Japan. In many instances, the basic exclusivity loss date listed below is the expiration date of the patent that claims the active ingredient of the drug or the method of using the drug for the approved indication, if there is only one approved indication. In some instances, the basic exclusivity loss date listed in the chart is the expiration date of the data exclusivity period. In situations where there is only data exclusivity without patent protection, a competitor could seek regulatory approval by submitting its own clinical trial data to obtain marketing approval prior to the expiration of data exclusivity.

We estimate the market exclusivity period for each of our products for the purpose of business planning only. The length of market exclusivity for any of our products is impossible to predict with certainty because of the complex interaction between patent and regulatory forms of exclusivity and the inherent uncertainties regarding patent litigation. There can be no assurance that a particular product will enjoy market exclusivity for the full period of time that appears in the estimate or that the exclusivity will be limited to the estimate.

Dollars in Millions	Total Revenues by Product			Past or Currently Estimated Year of Basic Exclusivity Loss		
	2016	2015	2014	U.S.	EU <sup>(a)</sup>	Japan
<b>Oncology</b>						
<i>Empliciti (elotuzumab)</i> <sup>(b)</sup>	\$ 150	\$ 3	\$ —	2026	2026	2024
<i>Opdivo (nivolumab)</i>	3,774	942	6	2027 <sup>(c)</sup>	2026 <sup>(c)</sup>	2031 <sup>(c)</sup>
<i>Sprycel (dasatinib)</i>	1,824	1,620	1,493	2020 <sup>(d)</sup>	^^	2021
<i>Yervoy (ipilimumab)</i>	1,053	1,126	1,308	2025 <sup>(e)</sup>	2025 <sup>(f)</sup>	2025 <sup>(g)</sup>
<b>Cardiovascular</b>						
<i>Eliquis (apixaban)</i>	3,343	1,860	774	2023 <sup>(h)</sup>	2022 <sup>(i)</sup>	2026 <sup>(i)</sup>
<b>Immunoscience</b>						
<i>Orencia (abatacept)</i>	2,265	1,885	1,652	2019 <sup>(i)</sup>	2017 <sup>(k)</sup>	2018 <sup>(l)</sup>
<b>Virology</b>						
<i>Baraclude (entecavir)</i>	1,192	1,312	1,441	2014	2011-2016 <sup>(m)</sup>	2016
Hepatitis C Franchise <sup>(n)</sup>	1,578	1,603	256	2028	2027	2028 <sup>(o)</sup>
<i>Reyataz (atazanavir sulfate) Franchise</i>	912	1,139	1,362	2017	2017-2019 <sup>(p)</sup>	2019
<i>Sustiva (efavirenz) Franchise</i>	1,065	1,252	1,444	2017 <sup>(q)</sup>	2013 <sup>(r)</sup>	++

Note: The currently estimated earliest year of basic exclusivity loss includes any statutory extensions of exclusivity that have been granted. In some instances, we may be able to obtain an additional six months exclusivity for a product based on the pediatric extension. In certain other instances, there may be later-expiring patents that cover particular forms or compositions of the drug, as well as methods of manufacturing or methods of using the drug. Such patents may sometimes result in a favorable market position for our products, but product exclusivity cannot be predicted or assured. Under the U.S. healthcare law enacted in 2010, qualifying biologic products will receive 12 years of data exclusivity before a biosimilar can enter the market, as described in more detail in “—Intellectual Property and Product Exclusivity” below.

++ We do not currently market the product in the country or region indicated.

^^ In May 2013, Apotex Inc., Actavis Group PTC ehf, Generics [UK] Limited (Mylan) and an unnamed company filed oppositions in the EPO seeking revocation of European Patent No. 1169038 (the ‘038 patent) covering dasatinib, the active ingredient in *Sprycel*. The ‘038 patent is scheduled to expire in April 2020 (excluding potential term extensions). On January 20, 2016, the Opposition Division of the EPO revoked the ‘038 patent. In May 2016, the Company appealed the EPO’s decision to the EPO Board of Appeal and in February 2017, the EPO Board of Appeal upheld the Opposition’s decision, and the ‘038 patent has been revoked. We may experience a decline in European revenues in the second half of 2017 due to the unfavorable the EPO Board of Appeal’s decision. The EPO Board of Appeal’s decision does not affect the validity of our other *Sprycel* patents, 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. We intend to pursue legal options to defend our intellectual property rights from any future infringement. Refer to “Note 18. Legal Proceedings and Contingencies” for more information.

(a) References to the EU throughout this Form 10-K include all member states of the EU during the year ended December 31, 2016. Basic patent applications have not been filed in all current member states for all of the listed products. In some instances, the date of basic exclusivity loss will be different in various EU member states. For those EU countries where the basic patent was not obtained, there may be data protection available.

(b) *Empliciti*: We have a commercialization agreement with AbbVie for *Empliciti*. For more information about our arrangement with AbbVie, refer to “—Alliances” below and “Item 8. Financial Statements—Note 3. Alliances.” AbbVie owns a composition of matter patent covering elotuzumab that expires in 2026 in the U.S. (excluding potential patent term extension) and 2024 in the EU and Japan (excluding potential patent term extensions). Exclusivity period in Europe and Japan is based on regulatory data protection.

(c) *Opdivo*: We jointly own a patent with Ono covering nivolumab as a composition of matter that expires in 2027 in the U.S. (excluding potential patent term extensions) and 2026 in the EU (excluding potential patent term extensions). The composition of matter patent covering nivolumab in Japan expires in 2031 including the granted patent term extension.

(d) *Sprycel*: A patent term extension has been granted in the U.S. extending the term on the basic composition of matter patent covering dasatinib until June 2020. In 2013, the Company entered into a settlement agreement with Apotex regarding a patent infringement suit covering the monohydrate form of dasatinib whereby Apotex can launch its generic dasatinib monohydrate aNDA product in September 2024, or earlier in certain circumstances.

(e) *Yervoy* U.S.: Exclusivity period is based on the composition of matter patent that expires in 2025 including the granted patent term extensions. Data exclusivity expires in the U.S. in 2023. We own a patent covering ipilimumab as a composition of matter that currently expires in 2022 in the U.S. (excluding potential patent term extension).

(f) *Yervoy* EU: Exclusivity period is based on regulatory data protection. Data exclusivity expires in the EU in 2021. We own a patent covering ipilimumab as a composition of matter that currently expires in 2020 in the EU (excluding potential patent term extensions). The patent term extension has been granted in many European countries and in those countries, the composition of matter patent expires in 2025.

(g) *Yervoy* Japan: Exclusivity period is based on the composition of matter patent that expires in 2025, including the granted patent term extension.

- (h) *Eliquis* U.S.: The composition of matter patent covering apixaban in the U.S. expires in February 2023 and a request for a patent term restoration extension until 2026 is pending (does not include a potential six month pediatric exclusivity extension, which if granted would provide protection until 2027).
- (i) *Eliquis* EU and Japan: The composition of matter patent covering apixaban in the EU expires in 2022. We have applied for supplementary protection certificates. The supplementary protection certificates in most European countries have been granted and expire in 2026. Data exclusivity in the EU expires in 2021. The composition of matter patent covering apixaban in Japan expires in 2026 including the granted patent term extension.
- (j) *Orencia* U.S.: We have a series of patents covering abatacept and its method of use. In the U.S., a patent term extension has been granted for one of the composition of matter patents, extending the term of the U.S. patent to 2019. Data exclusivity expires in the U.S. in December 2017 and the method of use patent expires in 2021.
- (k) *Orencia* EU: In the EU, the composition of matter patent covering abatacept expired in 2012. In the majority of the EU countries, we have applied for supplementary protection certificates and also pediatric extension of the supplementary protection certificates for protection until December 2017. The supplemental protection certificates in most European countries have been granted. Data exclusivity expires in the EU in May 2017 and the method of use patent expires in 2021.
- (l) *Orencia* Japan: Exclusivity period is based on regulatory data protection, which expires in 2018.
- (m) *Baraclude* EU: The composition of matter patent expired in the EU between 2011 and 2016.
- (n) Exclusivity period relates to the *Daklinza* brand.
- (o) The composition of matter covering daclatasvir in Japan expires in 2028 including granted patent term extension.
- (p) *Reyataz* EU: Data exclusivity in the EU expired in 2014 and market exclusivity is projected to expire between 2017 and 2019.
- (q) *Sustiva* U.S.: Exclusivity period relates to the *Sustiva* brand and does not include exclusivity related to any combination therapy. The composition of matter patent for efavirenz in the U.S. expired in 2013 and the method of use patent for the treatment of HIV infection expired in September 2014. Pediatric exclusivity has been granted, which provides an additional six month period of exclusivity added to the term of the patents listed in the Orange Book. In October 2014, the Company announced that it has successfully resolved all outstanding U.S. patent litigation relating to efavirenz and that loss of exclusivity in the U.S. for efavirenz is not expected to occur until December 2017. The joint venture agreement with Gilead to commercialize *Atripla*\* may be terminated upon the launch of a generic version of *Sustiva*.
- (r) *Sustiva* EU: Exclusivity period relates to the *Sustiva* brand and does not include exclusivity related to any combination therapy. Market exclusivity for *Sustiva* expired in November 2013 in countries in the EU. Data exclusivity for *Sustiva* expired in the EU in 2009.

## Research and Development

R&D is critical to our long-term competitiveness. We have major R&D sites throughout the world. As part of our operating model evolution the geographic footprint will significantly transform to foster speed and innovation in the future. The transformation involves the closing of several existing R&D sites accompanied by increased investment in the expansion of others, specifically in the U.S. We supplement our internal drug discovery and development programs with alliances and collaborative agreements which help us bring new molecular agents, capabilities and platforms into our pipeline. Management continues to emphasize leadership, innovation, productivity and quality as strategies for success in our R&D activities.

We concentrate our R&D efforts in the following disease areas with significant unmet medical needs: oncology, including IO, immunoscience, cardiovascular, fibrotic disease and GDD. We also continue to analyze and may selectively pursue promising leads in other areas. In addition to discovering and developing new molecular entities, we look for ways to expand the value of existing products through new indications and formulations that can provide additional benefits to patients.

In order for a new drug to reach the market, industry practice and government regulations in the U.S., the EU and most foreign countries provide for the determination of a drug's effectiveness and safety through preclinical tests and controlled clinical evaluation. The clinical development of a potential new drug includes Phase I, Phase II and Phase III clinical trials that have been designed specifically to support a new drug application for a particular indication, assuming the trials are successful.

Phase I clinical trials involve a small number of healthy volunteers or patients suffering from the indicated disease to test for safety and proper dosing. Phase II clinical trials involve a larger patient population to investigate side effects, efficacy, and optimal dosage of the drug candidate. Phase III clinical trials are conducted to confirm Phase II results in a significantly larger patient population over a longer term and to provide reliable and conclusive data regarding the safety and efficacy of a drug candidate. Although regulatory approval is typically based on the results of Phase III clinical trials, there are times when approval can be granted based on data from earlier trials.

We consider our R&D programs in Phase III to be our significant R&D programs. These programs include both investigational compounds in Phase III development for initial indications and marketed products that are in Phase III development for additional indications or formulations.

Drug development is time consuming, expensive and risky. The R&D process typically takes about fourteen years, with approximately two and a half years often spent in Phase III, or late-stage, development. On average, only about one in 10,000 chemical compounds discovered by pharmaceutical industry researchers proves to be both medically effective and safe enough to become an approved medicine. Drug candidates can fail at any stage of the process, and even late-stage product candidates sometimes fail to receive regulatory approval. According to the KMR Group, based on industry success rates from 2011-2015, approximately 90% of the compounds that enter Phase I development fail to achieve regulatory approval. The failure rate for compounds that enter Phase II development is approximately 77% and for compounds that enter Phase III development, it is approximately 29%.

Total R&D expenses include the costs of discovery research, preclinical development, early- and late-stage clinical development and drug formulation, as well as post-commercialization and medical support of marketed products, proportionate allocations of enterprise-wide costs and licensing and acquiring assets. R&D expenses were \$4.9 billion in 2016, \$5.9 billion in 2015 and \$4.5 billion in 2014 including license and asset acquisition charges of approximately \$440 million, \$1.7 billion and \$280 million in 2016, 2015 and 2014,



respectively. At the end of 2016, we employed approximately 8,400 people in R&D and related support activities, including a substantial number of physicians, scientists holding graduate or postgraduate degrees and higher-skilled technical personnel.

We manage our R&D programs on a portfolio basis, investing resources in each stage of R&D from early discovery through late-stage development. We continually evaluate our portfolio of R&D assets to ensure that there is an appropriate balance of early-stage and late-stage programs to support the future growth of the Company. Spending on our late-stage development programs represented 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.

Listed below are our investigational compounds that we have in clinical trials as well as the approved and potential indications for our marketed products in the related therapeutic area as of January 1, 2017. Whether any of the listed compounds ultimately becomes a marketed product depends on the results of clinical studies, the competitive landscape of the potential product's market, reimbursement decisions by payers and the manufacturing processes necessary to produce the potential product on a commercial scale, among other factors. There can be no assurance that we will seek regulatory approval of any of these compounds or that, if such approval is sought, it will be obtained. There is also no assurance that a compound which gets approved will be commercially successful. At this stage of development, we cannot determine all intellectual property issues or all the patent protection that may, or may not, be available for these investigational compounds.

## ONCOLOGY

PHASE I	PHASE II	PHASE III	APPROVED INDICATIONS
<b>Glypican-3 ADC<sup>^</sup></b> --Hepatocellular Carcinoma	<b>Opdivo<sup>+</sup></b> --Non-Hodgkin Lymphoma (Follicular Lymphoma)	<b>Opdivo<sup>+</sup></b> --Adjuvant Melanoma	<b>Opdivo<sup>+</sup></b> --Previously treated Metastatic Melanoma
<b>Anti-TIGIT<sup>^</sup></b> --Solid Tumors	<b>Opdivo<sup>+</sup></b> --Non-Hodgkin Lymphoma (Diffuse Large B-Cell Lymphoma)	--2nd line Small Cell Lung Cancer	--1st line BRAF wild-type Metastatic Melanoma
<b>Anti-GITR<sup>^</sup></b> --Solid Tumors	--MSI+ Colon	--Unresectable Non-Small Cell Lung Cancer	--Melanoma across BRAF status
<b>Cabiralizumab<sup>^</sup></b> --Solid Tumors	--2nd line Bladder	--1st line Head & Neck	--Previously treated Metastatic Squamous Non-Small Cell Lung Cancer
<b>Anti-CD73<sup>^</sup></b> --Solid Tumors	--Ovarian <sup>^</sup> #	--2nd line Head & Neck	--Previously treated Metastatic Non-Squamous Non-Small Cell Lung Cancer
<b>Anti-OX40<sup>^</sup></b> --Solid Tumors	--2nd line Hepatocellular Carcinoma	--3rd line Gastric#	--Previously treated Metastatic Renal Cell Carcinoma
<b>Anti-LAG3<sup>^</sup></b> --Solid Tumors & Hematologic Malignancies	--CNS Lymphoma	--1st line Glioblastoma	--Previously treated advanced Renal Cell Carcinoma
<b>IDO Inhibitor<sup>^</sup></b> --Solid Tumors	<b>Anti-LAG3 + Opdivo<sup>+</sup></b> --Solid Tumors	--2nd line Glioblastoma	--Advanced Hodgkin Lymphoma
<b>Mesothelin-ADC<sup>^</sup></b> --Solid Tumors	<b>Lirilumab<sup>+</sup></b> --Hematologic Malignancies	--1st line Hepatocellular Carcinoma	--Previously treated Metastatic Head & Neck Cancer
<b>HuMax-IL8</b> --Solid Tumors	<b>Urelumab + Opdivo<sup>+</sup></b> --Solid Tumors & Hematologic Malignancies	--Adjuvant Bladder	<b>Opdivo<sup>+</sup> + Yervoy<sup>+</sup></b> --BRAF wild-type Metastatic Melanoma
<b>Anti-HER2<sup>+++</sup></b> --Breast Cancer	<b>Anti-Fucosyl GM1<sup>^</sup></b> --Small Cell Lung Cancer	--2nd line Esophageal	--Melanoma across BRAF status
<b>BET Inhibitor</b> --Solid Tumors	<b>Empliciti</b> --1st line Multiple Myeloma Pomalidomide Combo	--Adjuvant Esophageal/ Gastroesophageal	<b>Yervoy<sup>+</sup></b> --Metastatic Melanoma
<b>Ulocuplumab</b> --Hematologic Malignancies	<b>Yervoy<sup>+</sup></b> --Adolescent Melanoma	<b>Opdivo<sup>+</sup> + Yervoy<sup>+</sup></b> --1st line Non-Small Cell Lung Cancer	--Adjuvant Melanoma
<b>Lirilumab<sup>+</sup></b> --Solid Tumors	<b>Sprycel<sup>+</sup></b> --Pediatric	--1st line Small Cell Lung Cancer	<b>Empliciti<sup>+</sup></b> --Relapsed/Refractory Multiple Myeloma Revlimid Combo
<b>Lirilumab<sup>+</sup> + Empliciti<sup>+</sup></b> --Multiple Myeloma		--1st line Renal Cell Carcinoma	<b>Sprycel<sup>+</sup></b> --1st line Chronic Myelogenous Leukemia
<b>Urelumab + Empliciti<sup>+</sup></b> --Multiple Myeloma		--1st line Head & Neck	--Refractory Chronic Myelogenous Leukemia
<b>Opdivo<sup>+</sup></b> --Solid Tumors & Hematologic Malignancies		--1st line Gastric	
<b>Opdivo<sup>+</sup> + Yervoy<sup>+</sup></b> --Solid Tumors		--1st line Esophageal	
<b>Opdivo<sup>+</sup></b> --Pediatric		--1st line Mesothelioma	
		<b>Opdivo<sup>+</sup> + Empliciti<sup>+</sup></b> --Multiple Myeloma	
		<b>Empliciti<sup>+</sup></b> --1st line Multiple Myeloma Revlimid Combo	
		<b>PROSTVAC<sup>+++</sup></b> --Metastatic Castration - Resistant Prostate Cancer	

<sup>+</sup> 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

<sup>^</sup>Trial(s) exploring various combinations

# Partner-run study

++Option rights

## IMMUNOSCIENCE

PHASE I	PHASE II	PHASE III	APPROVED INDICATIONS
<b>TYK2 Inhibitor (2)</b> --Autoimmune Diseases  <b>PD-L1 Inhibitor</b> --Autoimmune Diseases  <b>BTK Max</b> --Rheumatoid Arthritis  <b>S1P1</b> --Autoimmune Diseases  <b>Anti-IP10</b> --Ulcerative Colitis  <b>Anti-PD-L1</b> --Sepsis  <b>Opdivo*</b> --Sepsis	<b>Lulizumab</b> --Lupus  <b>BTK Inhibitor</b> --Rheumatoid Arthritis  <b>Anti-CD40L</b> --Autoimmune Disease  <b>TYK2 Inhibitor (1)</b> --Psoriasis	<b>Orencia</b> --Lupus Nephritis  --Psoriatic Arthritis  --Sjogren's  <b>Nulojix</b> --Switch from CNI Renal Transplant	<b>Orencia</b> --Rheumatoid Arthritis Intravenous --Rheumatoid Arthritis Subcutaneous --Rheumatoid Arthritis Auto Injector --Juvenile Idiopathic Arthritis --Early Rheumatoid Arthritis  <b>Nulojix</b> --De Novo Renal Transplant

## CARDIOVASCULAR

PHASE I	PHASE II	PHASE III	APPROVED INDICATIONS
<b>Factor XIa Inhibitor</b> --Thrombosis	<b>Nitroxyl Donor</b> --Heart Failure  <b>PAR4 Antagonist</b> --Thrombosis/Stroke	<b>Eliquis*</b> --Pediatric VTE Treatment	<b>Eliquis*</b> --VTE Prevention, Orthopedic Surgery  --Stroke Prevention in Atrial Fibrillation  --VTE Treatment

## FIBROTIC DISEASES

PHASE I	PHASE II
<b>Galectin-3 Inhibitor***</b> --Idiopathic Pulmonary Fibrosis  <b>PEG-FGF21 (2)</b> --Fibrosis  <b>HSP47*</b> --Fibrosis	<b>LPA1 Antagonist</b> --Fibrosis  <b>PEG-FGF21 (1)</b> --Fibrosis  <b>Pentraxin-2***</b> --Myelofibrosis  --Idiopathic Pulmonary Fibrosis

## GENETICALLY DEFINED DISEASES

PHASE I
<b>Anti-Myostatin</b> --Duchenne Muscular Dystrophy  <b>Anti-eTau</b> --Progressive Supranuclear Palsy

As of January 10, 2017, the following potential registrational trial readouts for *Opdivo* are anticipated through 2018:

Tumor	Trial Details	Tumor	Trial Details
Non-Small Cell Lung Cancer	CM-227 - Opdivo + Yervoy (1L)	Hepatocellular Carcinoma	CM-459 - Opdivo (1L)
	CM-078 - Opdivo (2L / Asia)	Glioblastoma	CM-143 - Opdivo (2L)
Small Cell Lung Cancer	CM-331 - Opdivo (2L)		CM-548 - Opdivo + Standard of Care (1L)
	CM-451 - Opdivo + Yervoy (1L)	Head & Neck	CM-651 - Opdivo + Yervoy (1L)
Melanoma	CM-511 - Opdivo + Yervoy (1L)	Non-Hodgkin Lymphoma	CM-140 - Opdivo (2L)
	CM-238 - Opdivo (Adjuvant)	Myeloma	CM-602 - Opdivo + Empliciti + Standard of Care (1L)
Renal Cell Carcinoma	CM-214 - Opdivo + Yervoy (1L)	Key:	Phase II
			Phase III

## Alliances

We enter into alliances with third parties that transfer rights to develop, manufacture, market and/or sell pharmaceutical products that are owned by other parties. These alliances include licensing arrangements, co-development and co-marketing agreements, co-promotion arrangements and joint ventures. When such alliances involve sharing research and development costs, the risk of incurring all research and development expenses for compounds that do not lead to revenue-generating products is reduced. However, profitability on alliance products is generally lower because profits from alliance products are shared with our alliance partners. We actively pursue such arrangements and view alliances as an important complement to our own discovery, development and commercialization activities.

Each of our alliances with third parties who own the rights to manufacture, market and/or sell pharmaceutical products contain customary early termination provisions typically found in agreements of this kind and are generally based on the material breach of the agreement by a party, or bankruptcy (voluntary or involuntary) of a party or product safety concerns. The amount of notice required for early termination generally ranges from immediately upon notice to 180 days after receipt of notice. Termination immediately upon notice is generally available where the other party files a voluntary bankruptcy petition or if a material safety issue arises with a product such that the medical risk/benefit is incompatible with the welfare of patients to continue to develop or commercialize the product. Termination with a notice period is generally available where an involuntary bankruptcy petition has been filed (and has not been dismissed) or a material breach by a party has occurred (and not been cured). Most of our alliance agreements also permit us to terminate without cause, which is typically exercisable with substantial advance written notice and is sometimes exercisable only after a specified period of time has elapsed after the alliance agreement is signed. Our alliances typically do not otherwise contain provisions that provide the other party the right to terminate the alliance.

In general, we do not retain any rights to a product brought to an alliance by another party or to the other party's intellectual property after an alliance terminates. The loss of rights to one or more products that are marketed and sold by us pursuant to an alliance could be material to our results of operations and cash flows could be material to our financial condition and liquidity. As is customary in the pharmaceutical industry, the terms of our alliances generally are co-extensive with the exclusivity period and may vary on a country-by-country basis.

Our most significant alliances for both currently marketed products and investigational compounds are described below. Refer to "Item 8. Financial Statements—Note 3. Alliances" for additional information on these alliance agreements as well as other alliance agreements.

### Pfizer

The Company and Pfizer are parties to a worldwide co-development and co-commercialization agreement for *Eliquis*. Pfizer funds between 50% and 60% of all development costs depending on the study. The companies share commercialization expenses and profits and losses equally on a global basis except in certain countries where Pfizer commercializes *Eliquis* and pays BMS compensation based on a percentage of net sales.

### Gilead

We have joint ventures with Gilead to develop and commercialize *Atripla*\* in the U.S., Canada and in Europe. The Company and Gilead share responsibility for certain activities related to the commercialization of *Atripla*\* in the U.S., Canada, throughout the EU and certain other European countries. Gilead recognizes 100% of *Atripla*\* revenues in the U.S., Canada and most countries in Europe. Alliance revenue recognized for *Atripla*\* include only the bulk efavirenz component of *Atripla*\* which is calculated differently in the EU and the U.S. following the loss of exclusivity of *Sustiva* in the EU in 2013. Alliance revenue is deferred and the related alliance receivable is not recognized until *Atripla*\* is sold to third-party customers.

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.

### Otsuka

BMS and Otsuka have an alliance for *Sprycel* in the U.S., Japan and the EU (the Oncology Territory). In February 2015, the co-promotion agreement with Otsuka was terminated in Japan. A fee is paid to Otsuka based on the combined annual net sales of *Sprycel* and *Ixempra*\* in the Oncology Territory. We also maintain a commercialization agreement with Otsuka to co-develop and co-promote *Abilify*\* in a limited number of countries outside of the U.S.

### Ono

BMS is the principal in the end customer product sales and has the exclusive right to develop, manufacture and commercialize *Opdivo* 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 other party's assigned customer.

#### AbbVie

BMS and AbbVie have an alliance for *Empliciti*. 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). 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. In addition, AbbVie is entitled to receive milestone payments from BMS if certain regulatory events and sales thresholds are achieved.

#### Other Licensing Arrangements

In addition to the alliances described above, we have other in-licensing and out-licensing arrangements. With respect to in-licenses, we have agreements with Novartis for *Reyataz* and with Merck for efavirenz, among others. We also own certain compounds out-licensed to third parties for development and commercialization, including those obtained from our acquisitions. We are entitled to receive milestone payments as these compounds move through the regulatory process and royalties based on net product sales, if and when the products are commercialized.

### **Marketing, Distribution and Customers**

We promote the appropriate use of our products directly to healthcare professionals and providers such as doctors, nurse practitioners, physician assistants, pharmacists, technologists, hospitals, PBMs and MCOs. We also provide information about the appropriate use of our products to consumers in the U.S. through direct-to-consumer print, radio, television and digital advertising and promotion. In addition, we sponsor general advertising to educate the public about our innovative medical research and corporate mission. For a discussion of the regulation of promotion and marketing of pharmaceuticals, refer to “—Government Regulation” below.

Through our field sales and medical organizations, we explain the risks and benefits of the approved uses of our products to medical professionals. We work to gain access for our products on formularies and reimbursement plans (lists of recommended or approved medicines and other products), including Medicare Part D plans, by providing information about the clinical profiles of our products. Our marketing and sales of prescription pharmaceuticals is limited to the approved uses of the particular product, but we continue to develop scientific data and other information about potential additional uses of our products and provide such information in response to unsolicited inquiries from doctors, other medical professionals and MCOs.

Our operations include several marketing and sales organizations. Each product marketing organization is supported by a sales force, which may be responsible for selling one or more products. We also have marketing organizations that focus on certain classes of customers such as managed care entities or certain types of marketing tools, such as digital or consumer communications. Our sales forces focus on communicating information about new products or new uses, as well as established products, and promotion to physicians is increasingly targeted at physician specialists who treat the patients in need of our medicines.

Our products are sold principally to wholesalers, and to a lesser extent, directly to distributors, retailers, hospitals, clinics, government agencies and pharmacies. Refer to “Item 8. Financial Statements—Note 2. Business Segment Information” for gross revenues to the three largest pharmaceutical wholesalers in the U.S. as a percentage of our global gross revenues.

Our U.S. business has IMAs with substantially all of our direct wholesaler and distributor customers that allow us to monitor U.S. wholesaler inventory levels and requires those wholesalers and distributors to maintain inventory levels that are no more than one month of their demand. The IMAs, including those with our three largest wholesalers, expire in December 2017 subject to certain termination provisions.

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 reliably gather and report inventory levels from our customers.

In a number of countries outside of the U.S., we contract with distributors to support certain products. The services provided by these distributors vary by market, but may include distribution and logistics; regulatory and pharmacovigilance; and/or sales, advertising or promotion. Sales in these distributor-based countries represented approximately 1% of the Company's total revenues in 2016.

## **Competition**

The markets in which we compete are generally broad based and highly competitive. We compete with other worldwide research-based drug companies, many smaller research companies with more limited therapeutic focus and generic drug manufacturers. Important competitive factors include product efficacy, safety and ease of use, price and demonstrated cost-effectiveness, marketing effectiveness, product labeling, customer service and R&D of new products and processes. Sales of our products can be impacted by new studies that indicate a competitor's product is safer or more effective for treating a disease or particular form of disease than one of our products. Our revenues also can be impacted by additional labeling requirements relating to safety or convenience that may be imposed on products by the FDA or by similar regulatory agencies in different countries. If competitors introduce new products and processes with therapeutic or cost advantages, our products can be subject to progressive price reductions or decreased volume of sales, or both.

### *Generic Competition*

One of the biggest competitive challenges that we face is from generic pharmaceutical manufacturers. In the U.S. and the EU, the regulatory approval process exempts generics from costly and time-consuming clinical trials to demonstrate their safety and efficacy, allowing generic manufacturers to rely on the safety and efficacy of the innovator product. As a result, generic pharmaceutical manufacturers typically invest far less in R&D than research-based pharmaceutical companies and therefore can price their products significantly lower than branded products. Accordingly, when a branded product loses its market exclusivity, it normally faces intense price competition from generic forms of the product. Upon the expiration or loss of market exclusivity on a product, we can lose the major portion of revenues of that product in a very short period of time.

The rate of revenues decline of a product after the expiration of exclusivity varies by country. In general, the decline in the U.S. market is more rapid than in most other developed countries, though we have observed rapid declines in a number of EU countries as well. Also, the declines in developed countries tend to be more rapid than in developing countries. The rate of revenues decline after the expiration of exclusivity has also historically been influenced by product characteristics. For example, drugs that are used in a large patient population (e.g., those prescribed by key primary care physicians) tend to experience more rapid declines than drugs in specialized areas of medicine (e.g., oncology). Drugs that are more complex to manufacture (e.g., sterile injectable products) usually experience a slower decline than those that are simpler to manufacture.

In certain countries outside the U.S., patent protection is weak or nonexistent and we must compete with generic versions shortly after we launch our innovative products. In addition, generic pharmaceutical companies may introduce a generic product before exclusivity has expired, and before the resolution of any related patent litigation. For more information about market exclusivity, refer to “—Intellectual Property and Product Exclusivity” above.

We believe our long-term competitive position depends upon our success in discovering and developing innovative, cost-effective products that serve unmet medical needs, together with our ability to manufacture products efficiently and to market them effectively in a highly competitive environment.

## **Pricing, Price Constraints and Market Access**

Our medicines are priced based on a number of factors, including the value of scientific innovation for patients and society in the context of overall health care spend, economic factors impacting health care systems' ability to provide appropriate and sustainable access and the necessity to sustain our investment in innovation platforms to address serious unmet medical needs. Central to price is the clinical value that this innovation brings to the market, the current landscape of alternative treatment options, the goal of ensuring appropriate patient access to this innovation and sustaining investment in creative platforms. We continue to explore new pricing approaches to ensure that patients have access to our medicines. Enhancing patient access to medicines is a priority for us. We are focused on offering creative tiered pricing, voluntary licensing, reimbursement support and patient assistance programs to optimize access while protecting innovation; advocating for sustainable healthcare policies and infrastructure, leveraging advocacy/payer's input and utilizing partnerships as appropriate; and improving access to care and supportive services for vulnerable patients through partnerships and demonstration projects.

The growth of MCOs in the U.S. is also a major factor in the healthcare marketplace. Over half of the U.S. population now participates in some version of managed care. MCOs can include medical insurance companies, medical plan administrators, health-maintenance organizations, Medicare Part D prescription drug plans, alliances of hospitals and physicians and other physician organizations. Those organizations have been consolidating into fewer, larger entities, thus enhancing their purchasing strength and importance to us.

To successfully compete for business with MCOs, we must often demonstrate that our products offer not only medical benefits but also cost advantages as compared with other forms of care. Most new products that we introduce compete with other products already on the market or products that are later developed by competitors. As noted above, generic drugs are exempt from costly and time-consuming clinical trials to demonstrate their safety and efficacy and, as such, often have lower costs than brand-name drugs. MCOs that focus primarily on the immediate cost of drugs often favor generics for this reason. Many governments also encourage the use of generics as alternatives to brand-name drugs in their healthcare programs. Laws in the U.S. generally allow, and in many cases require, pharmacists to substitute generic drugs that have been rated under government procedures to be essentially equivalent to a brand-name drug. The substitution must be made unless the prescribing physician expressly forbids it.

Exclusion of a product from a formulary can lead to its sharply reduced usage in the MCO patient population. Consequently, pharmaceutical companies compete aggressively to have their products included. Where possible, companies compete for inclusion based upon unique features of their products, such as greater efficacy, better patient ease of use or fewer side effects. A lower overall cost of therapy is also an important factor. Products that demonstrate fewer therapeutic advantages must compete for inclusion based primarily on price. We have been generally, although not universally, successful in having our major products included on MCO formularies.

In many markets outside the U.S., we operate in an environment of government-mandated, cost-containment programs. In these markets, a significant portion of funding for healthcare services and the determination of pricing and reimbursement for pharmaceutical products is subject to government control. As a result, our products may face restricted access by both public and private payers and may be subject to assessments of comparative value and effectiveness against competitive products. Several governments have placed restrictions on physician prescription levels and patient reimbursements, emphasized greater use of generic drugs and/or enacted across-the-board price cuts as methods of cost control. In most EU countries, for example, the government regulates pricing of a new product at launch often through direct price controls, international price comparisons, controlling profits and/or reference pricing. In other markets, such as Germany, the government does not set pricing restrictions at launch, but pricing freedom is subsequently limited. Companies may also face significant delays in market access for new products, mainly in France, Spain, Italy and Belgium, and more than a year can elapse before new medicines become available on some national markets. Additionally, member states of the EU have regularly imposed new or additional cost containment measures for pharmaceuticals such as volume discounts, cost caps, cost sharing for increases in excess of prior year costs for individual products or aggregated market level spending, outcome-based pricing schemes and free products for a portion of the expected therapy period. In recent years, Italy, for example, has imposed mandatory price decreases. The existence of price differentials within the EU due to the different national pricing and reimbursement laws leads to significant parallel trade flows.

## **Government Regulation**

The pharmaceutical industry is subject to extensive global regulation by regional, country, state and local agencies. The Federal Food, Drug, and Cosmetic Act, other Federal statutes and regulations, various state statutes and regulations, and laws and regulations of foreign governments govern to varying degrees the testing, approval, production, labeling, distribution, post-market surveillance, advertising, dissemination of information and promotion of our products. The lengthy process of laboratory and clinical testing, data analysis, manufacturing, development and regulatory review necessary for required governmental approvals is extremely costly and can significantly delay product introductions in a given market. Promotion, marketing, manufacturing and distribution of pharmaceutical products are extensively regulated in all major world markets. In addition, our operations are subject to complex Federal, state, local, and foreign environmental and occupational safety laws and regulations. We anticipate that the laws and regulations affecting the manufacture and sale of current products and the introduction of new products will continue to require substantial scientific and technical effort, time and expense as well as significant capital investments.

Of particular importance is the FDA in the U.S. It has jurisdiction over virtually all of our activities and imposes requirements covering the testing, safety, effectiveness, manufacturing, labeling, marketing, advertising and post-marketing surveillance of our products. In many cases, the FDA requirements have increased the amount of time and money necessary to develop new products and bring them to market in the U.S.

The FDA mandates that drugs be manufactured, packaged and labeled in conformity with cGMP established by the FDA. In complying with cGMP regulations, manufacturers must continue to expend time, money and effort in production, recordkeeping and quality control to ensure that products meet applicable specifications and other requirements to ensure product safety and efficacy. The FDA periodically inspects our drug manufacturing facilities to ensure compliance with applicable cGMP requirements. Failure to comply with the statutory and regulatory requirements subjects us to possible legal or regulatory action, such as suspension of manufacturing, seizure of product or voluntary recall of a product. Adverse experiences with the use of products must be reported to the FDA and could result in the imposition of market restrictions through labeling changes or product removal. Product approvals may be withdrawn if compliance with regulatory requirements is not maintained or if problems concerning safety or efficacy occur following approval.

The Federal government has extensive enforcement powers over the activities of pharmaceutical manufacturers, including authority to withdraw or delay product approvals, commence actions to seize and prohibit the sale of unapproved or non-complying products, to halt manufacturing operations that are not in compliance with cGMPs, and to impose or seek injunctions, voluntary recalls, civil, monetary and criminal penalties. Such a restriction or prohibition on sales or withdrawal of approval of products marketed by us could materially adversely affect our business, financial condition and results of operations and cash flows.

Marketing authorization for our products is subject to revocation by the applicable governmental agencies. In addition, modifications or enhancements of approved products or changes in manufacturing locations are in many circumstances subject to additional FDA approvals, which may or may not be received and which may be subject to a lengthy application process.

The distribution of pharmaceutical products is subject to the PDMA as part of the Federal Food, Drug, and Cosmetic Act, which regulates such activities at both the Federal and state level. Under the PDMA and its implementing regulations, states are permitted to require registration of manufacturers and distributors who provide pharmaceuticals even if such manufacturers or distributors have no place of business within the state. States are also permitted to adopt regulations limiting the distribution of product samples to licensed practitioners. The PDMA also imposes extensive licensing, personnel recordkeeping, packaging, quantity, labeling, product handling and facility storage and security requirements intended to prevent the sale of pharmaceutical product samples or other product diversions.

The FDA Amendments Act of 2007 imposed additional obligations on pharmaceutical companies and delegated more enforcement authority to the FDA in the area of drug safety. Key elements of this legislation give the FDA authority to (1) require that companies conduct post-marketing safety studies of drugs, (2) impose certain drug labeling changes relating to safety, (3) mandate risk mitigation measures such as the education of healthcare providers and the restricted distribution of medicines, (4) require companies to publicly disclose data from clinical trials and (5) pre-review television advertisements.

The marketing practices of all U.S. pharmaceutical manufacturers are subject to Federal and state healthcare laws that are used to protect the integrity of government healthcare programs. The OIG oversees compliance with applicable Federal laws, in connection with the payment for products by government funded programs (primarily Medicaid and Medicare). These laws include the Federal anti-kickback statute, which criminalizes the offering of something of value to induce the recommendation, order or purchase of products or services reimbursed under a government healthcare program. The OIG has issued a series of Guidances to segments of the healthcare industry, including the 2003 Compliance Program Guidance for Pharmaceutical Manufacturers, which includes a recommendation that pharmaceutical manufacturers, at a minimum, adhere to the PhRMA Code, a voluntary industry code of marketing practices. We subscribe to the PhRMA Code, and have implemented a compliance program to address the requirements set forth in the guidance and our compliance with the healthcare laws. Failure to comply with these healthcare laws could subject us to administrative and legal proceedings, including actions by Federal and state government agencies. Such actions could result in the imposition of civil and criminal sanctions, which may include fines, penalties and injunctive remedies, the impact of which could materially adversely affect our business, financial condition and results of operations and cash flows.

We are also subject to the jurisdiction of various other Federal and state regulatory and enforcement departments and agencies, such as the Federal Trade Commission, the Department of Justice and the Department of Health and Human Services in the U.S. We are also licensed by the U.S. Drug Enforcement Agency to procure and produce controlled substances. We are, therefore, subject to possible administrative and legal proceedings and actions by these organizations. Such actions may result in the imposition of civil and criminal sanctions, which may include fines, penalties and injunctive or administrative remedies.

The U.S. healthcare industry is subject to various government-imposed regulations authorizing prices or price controls that have and will continue to have an impact on our total revenues. We participate in state government Medicaid programs, as well as certain other qualifying Federal and state government programs whereby discounts and rebates are provided to participating state and local government entities. We also participate in government programs that specify discounts to certain government entities, the most significant of which are the U.S. Department of Defense and the U.S. Department of Veterans Affairs. These entities receive minimum discounts based off a defined “non-federal average manufacturer price” for purchases. As a result of the Patient Protection and Affordable Care Act (HR 3590) and the reconciliation bill containing a package of changes to the healthcare bill, we have experienced and will continue to experience additional financial costs and certain other changes to our business. For example, minimum rebates on our Medicaid drug sales have increased from 15.1 percent to 23.1 percent and Medicaid rebates have also been extended to drugs used in risk-based Medicaid managed care plans. In addition, we extend discounts to certain critical access hospitals, cancer hospitals and other covered entities as required by the expansion of the 340B Drug Pricing Program under the Public Health Service Act.

We are required to provide a 50 percent discount on our brand-name drugs to patients who fall within the Medicare Part D coverage gap, also referred to as the “donut hole” and pay an annual non-tax-deductible fee to the federal government based on an allocation of our market share of branded drug sales to certain government programs including Medicare, Medicaid, Department of Veterans Affairs, Department of Defense and TRICARE.

Our activities outside the U.S. are also subject to regulatory requirements governing the testing, approval, safety, effectiveness, manufacturing, labeling and marketing of our products. These regulatory requirements vary from country to country. Whether or not FDA approval or approval of the EC has been obtained for a product, approval of the product by comparable regulatory authorities of countries outside of the U.S. or the EU, as the case may be, must be obtained prior to marketing the product in those countries. The approval process may be more or less rigorous from country to country, and the time required for approval may be longer or shorter than that required in the U.S. Approval in one country does not assure that a product will be approved in another country.

For further discussion of these rebates and programs, refer to “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Total Revenues” and “—Critical Accounting Policies.”

### **Sources and Availability of Raw Materials**

In general, we purchase our raw materials and supplies required for the production of our products in the open market. For some products, we purchase our raw materials and supplies from one source (the only source available to us) or a single source (the only approved source among many available to us), thereby requiring us to obtain such raw materials and supplies from that particular source. We attempt, if possible, to mitigate our raw material supply risks, through inventory management and alternative sourcing strategies. For further discussion of sourcing, refer to “—Manufacturing and Quality Assurance” below and discussions of particular products.

### **Manufacturing and Quality Assurance**

We operate and manage our manufacturing network in a manner that permits us to improve efficiency while maintaining flexibility to reallocate manufacturing capacity. Pharmaceutical production processes are complex, highly regulated and vary widely from product to product. Given that shifting or adding manufacturing capacity can be a lengthy process requiring significant capital and other expenditures as well as regulatory approvals, we maintain and operate our flexible manufacturing network, consisting of internal and external resources that minimize unnecessary product transfers and inefficient uses of manufacturing capacity. For further discussion of the regulatory impact on our manufacturing, refer to “—Government Regulation and Price Constraints” above.

Our pharmaceutical manufacturing facilities are located in the U.S., Puerto Rico, France, Italy, Ireland, Japan and China and require significant ongoing capital investment for both maintenance and compliance with increasing regulatory requirements. In addition, as our product line changes over the next several years, we expect to continue modification of our existing manufacturing network to meet complex processing standards that may be required for newly introduced products, including biologics. Biologics manufacturing involves more complex processes than those of traditional pharmaceutical operations. The FDA approved our large scale multi-product bulk biologics manufacturing facility in Devens, Massachusetts in May 2012 and we continue to make capital investments in this facility. We are building a new large-scale biologics manufacturing facility in Cruiserath, Ireland.

We rely on third parties to manufacture or supply us with all or a portion of the active ingredients necessary for us to manufacture various products, such as *Opdivo*, *Sprycel*, *Yervoy*, *Eliquis*, *Orencia*, *Baraclude*, *Reyataz* and the *Sustiva Franchise*. To maintain a stable supply of these products, we take a variety of actions including inventory management and maintenance of additional quantities of materials, when possible, designed to provide for a reasonable level of these ingredients to be held by the third-party supplier, us or both, so that our manufacturing operations are not interrupted. As an additional protection, in some cases, we take steps to maintain an approved back-up source where available. For example, we rely on the capacity of our Devens, Massachusetts facility and the capacity available at our third-party contract manufacturers to manufacture *Orencia*.

In connection with divestitures, licensing arrangements or distribution agreements of certain of our products, or in certain other circumstances, we have entered into agreements under which we have agreed to supply such products to third parties. In addition to liabilities that could arise from our failure to supply such products under the agreements, these arrangements could require us to invest in facilities for the production of non-strategic products, result in additional regulatory filings and obligations or cause an interruption in the manufacturing of our own products.

Our success depends in great measure upon customer confidence in the quality of our products and in the integrity of the data that support their safety and effectiveness. Product quality arises from a total commitment to quality in all parts of our operations, including research and development, purchasing, facilities planning, manufacturing, and distribution. We maintain quality-assurance procedures relating to the quality and integrity of technical information and production processes.

Control of production processes involves detailed specifications for ingredients, equipment and facilities, manufacturing methods, processes, packaging materials and labeling. We perform tests at various stages of production processes and on the final product to ensure that the product meets regulatory requirements and our standards. These tests may involve chemical and physical chemical analyses, microbiological testing or a combination of these along with other analyses. Quality control is provided by business unit/site quality assurance groups that monitor existing manufacturing procedures and systems used by us, our subsidiaries and third-party suppliers.



## **Environmental Regulation**

Our facilities and operations are subject to extensive U.S. and foreign laws and regulations relating to environmental protection and human health and safety, including those governing discharges of pollutants into the air and water; the use, management and disposal of hazardous, radioactive and biological materials and wastes; and the cleanup of contamination. Pollution controls and permits are required for many of our operations, and these permits are subject to modification, renewal or revocation by the issuing authorities.

Our environment, health and safety group monitors our operations around the world, providing us with an overview of regulatory requirements and overseeing the implementation of our standards for compliance. We also incur operating and capital costs for such matters on an ongoing basis, which were not material for 2016, 2015 and 2014. In addition, we invested in projects that reduce resource use of energy and water. Although we believe that we are in substantial compliance with applicable environmental, health and safety requirements and the permits required for our operations, we nevertheless could incur additional costs, including civil or criminal fines or penalties, clean-up costs or third-party claims for property damage or personal injury, for violations or liabilities under these laws.

Many of our current and former facilities have been in operation for many years, and over time, we and other operators of those facilities have generated, used, stored or disposed of substances or wastes that are considered hazardous under Federal, state and/or foreign environmental laws, including CERCLA. As a result, the soil and groundwater at or under certain of these facilities is or may be contaminated, and we may be required to make significant expenditures to investigate, control and remediate such contamination, and in some cases to provide compensation and/or restoration for damages to natural resources. Currently, we are involved in investigation and remediation at 14 current or former facilities. We have also been identified as a PRP under applicable laws for environmental conditions at approximately 20 former waste disposal or reprocessing facilities operated by third parties at which investigation and/or remediation activities are ongoing.

We may face liability under CERCLA and other Federal, state and foreign laws for the entire cost of investigation or remediation of contaminated sites, or for natural resource damages, regardless of fault or ownership at the time of the disposal or release. In addition, at certain sites we bear remediation responsibility pursuant to contractual obligations. Generally, at third-party operator sites involving multiple PRPs, liability has been or is expected to be apportioned based on the nature and amount of hazardous substances disposed of by each party at the site and the number of financially viable PRPs. For additional information about these matters, refer to “Item 8. Financial Statements—Note 18. Legal Proceedings and Contingencies.”

## **Employees**

We have approximately 25,000 employees as of December 31, 2016.

## **Foreign Operations**

We have significant operations outside the U.S. They are conducted both through our subsidiaries and through distributors.

International operations are subject to certain risks, which are inherent in conducting business abroad, including, but not limited to, currency fluctuations, possible nationalization or expropriation, price and exchange controls, counterfeit products, limitations on foreign participation in local enterprises and other restrictive governmental actions. Our international businesses are also subject to government-imposed constraints, including laws on pricing or reimbursement for use of products.

## **Bristol-Myers Squibb Website**

Our internet website address is [www.bms.com](http://www.bms.com). On our website, we make available, free of charge, our annual, quarterly and current reports, including amendments to such reports, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the SEC.

Information relating to corporate governance at Bristol-Myers Squibb, including our Principles of Integrity, Code of Ethics for Senior Financial Officers, Code of Business Conduct and Ethics for Directors, (collectively, the “Codes”), Corporate Governance Guidelines, and information concerning our Executive Committee, Board of Directors, including Board Committees and Committee charters, and transactions in Bristol-Myers Squibb securities by directors and executive officers, is available on our website under the “Investors—Corporate Governance” caption and in print to any stockholder upon request. Any waivers to the Codes by directors or executive officers and any material amendment to the Code of Business Conduct and Ethics for Directors and Code of Ethics for Senior Financial Officers will be posted promptly on our website. Information relating to stockholder services, including our Dividend Reinvestment Plan and direct deposit of dividends, is available on our website under the “Investors—Stockholder Services” caption. In addition, information about our Sustainability programs is available on our website under the "Responsibility" caption.

We incorporate by reference certain information from parts of our proxy statement for the 2016 Annual Meeting of Stockholders. The SEC allows us to disclose important information by referring to it in that manner. Please refer to such information. Our proxy statement for the 2017 Annual Meeting of Stockholders and 2016 Annual Report will be available on our website under the “Investors—SEC Filings” caption on or about March 23, 2017.

## **Item 1A. RISK FACTORS.**

Any of the factors described below could significantly and negatively affect our business, prospects, financial condition, operating results, or credit ratings, which could cause the trading price of our common stock to decline. Additional risks and uncertainties not presently known to us, or risks that we currently consider immaterial, could also impair our operations or financial condition.

***The public announcement of data from our clinical studies, or those of our competitors, or news of any developments related to our, or our competitors', IO products or late-stage compounds may cause significant volatility in our stock price and depending on the news, may result in an adverse impact on our business, financial condition or results of operation. If the development of any of our key IO compounds, whether alone or as part of a combination therapy, is delayed or discontinued, our stock price could decline significantly and there may be an adverse impact on our business, financial condition or results of operations.***

*We are focusing our efforts and resources in certain disease areas. With our more focused portfolio, investors are placing heightened scrutiny on some of our products or late-stage compounds. In particular, Opdivo is an important asset in our IO portfolio. During 2016, we announced multiple regulatory milestones for Opdivo. We also, however, encountered a significant setback in first-line lung cancer with the announcement of the negative results of CheckMate-026 and we announced we would not pursue an accelerated regulatory pathway for the combination of Opdivo+Yervoy which had negative impacts on our stock price. In 2017, we expect to receive further news from ongoing clinical trials and health authorities for several new potential indications.*

*The announcement of data from our clinical studies, or those of our competitors, or news of any developments related to our, or our competitors', IO products or late-stage compounds, such as Opdivo, may cause significant volatility in our stock price and depending on the news, may result in an adverse impact on our business, financial condition or results of operation. Furthermore, the announcement of any negative or unexpected data or the discontinuation of development of any of our key IO compounds, whether alone or as part of a combination therapy, any delay in our anticipated timelines for filing for regulatory approval or a significant advancement of a competitor, may cause our stock price to decline significantly and may have an adverse impact on our business, financial condition or results of operations. There is no assurance that data from our clinical studies will support filings for regulatory approval, or that our key IO compounds may prove to be effective or as effective as other competing compounds, or even if approved, that any of our key IO compounds will become commercially successful for all approved indications.*

***We depend on several key products for most of our revenues, cash flows and earnings.***

*We have historically derived a majority of our revenue and earnings from several key products and while we are not as heavily dependent on one or two products as in past years, our dependence on the profitability of certain products is likely to continue. We expect that growth products such as Opdivo and Eliquis will become an increasingly important part of our revenue base. A reduction in revenues from one of these products could have an adverse impact our revenues, cash flows and earnings.*

***We may experience difficulties or delays in the development and commercialization of new products.***

*Compounds or products may appear promising in development but fail to reach market within the expected or optimal timeframe, or at all. In addition, product extensions or additional indications may not be approved. Developing and commercializing new compounds and products include inherent risks and uncertainties, including (i) due to efficacy and safety concerns, delayed or denied regulatory approvals, delays or challenges with producing products on a commercial scale or excessive costs to manufacture them; (ii) failure to enter into or implement optimal alliances for the development and/or commercialization of new products; (iii) failure to maintain a consistent scope and variety of promising late-stage products; (iv) failure of one or more of our products to achieve or maintain commercial viability; and (v) changes in regulatory approval processes may cause delays or denials of new product approvals.*

*Regulatory approval delays are especially common when a product is expected to have a Risk Evaluation and Mitigation Strategy, as required by the FDA to address significant risk/benefit issues. The inability to bring a product to market or a significant delay in the expected approval and related launch date of a new product could negatively impact our revenues and earnings. In addition, if certain acquired pipeline programs (including IPRD) are canceled or we believe their commercial prospects have been reduced, we may recognize material non-cash impairment charges for those programs. Finally, losing key molecules and intermediaries or our compound library through a natural or man-made disaster or act of sabotage could negatively impact the product development cycle.*

***We face intense competition from other manufacturers, including for both innovative medicines and lower-priced generic products.*** BMS is dependent on the market access, uptake and expansion for marketed brands, new product introductions, new indications, product extensions and co-promotional activities with alliance partners, to deliver future growth. Competition is keen and includes (i) lower-priced generics and increasingly aggressive generic commercialization tactics, (ii) lower prices for other companies' products, real or perceived superior efficacy (benefit) or safety (risk) profiles or other differentiating factors, (iii) technological advances and patents attained by our competitors, (iv) clinical study results from our products or a competitor's products that affect the value proposition for our products, (v) business combinations among our competitors and major third-party payers and (vi) competing interests for external partnerships to develop and bring new products to markets. If we are unable to compete successfully against our competitors' products in the marketplace, this could have a material negative impact on our revenues and earnings.

***Litigation claiming infringement of intellectual property may adversely affect our future revenues and operating earnings.***

Third parties may claim that we infringe upon their intellectual property. Resolving an intellectual property infringement claim can be costly and time consuming and may require us to enter into license agreements, which may not be available on commercially reasonable terms. A successful claim of patent or other intellectual property infringement could subject us to significant damages or an injunction preventing the manufacture, sale, or use of the affected product or products. Any of these events could have a material adverse effect on our profitability and financial condition.

***Adverse outcomes in other legal matters could negatively affect our business.***

Current or future lawsuits, claims, proceedings and government investigations could preclude or delay the commercialization of our products or could adversely affect our operations, profitability, liquidity or financial condition, after any possible insurance recoveries, where available. Such legal matters include (i) intellectual property disputes; (ii) adverse decisions in litigation, including product liability and commercial cases; (iii) anti-bribery regulations, such as the U.S. Foreign Corrupt Practice Act or UK Bribery Act, including compliance with ongoing reporting obligations to the government resulting from any settlements, (iv) recalls or withdrawals of pharmaceutical products or forced closings of manufacturing plants; (v) the failure to fulfill obligations under supply contracts with the government and other customers; (vi) product pricing and promotional matters; (vii) lawsuits and claims asserting, or investigations into, violations of securities, antitrust, Federal and state pricing, consumer protection, data privacy and other laws; (viii) environmental, health, safety and sustainability matters; and (ix) tax liabilities resulting from assessments from tax authorities.

***We could lose market exclusivity of a product earlier than expected.***

In the pharmaceutical and biotechnology industries, the majority of an innovative product's commercial value is realized during its market exclusivity period. In the U.S. and in some other countries, when market exclusivity expires and generic versions are approved and marketed or when biosimilars are introduced (even if only for a competing product), there are usually very substantial and rapid declines in a product's revenues.

Market exclusivity for our products is based upon patent rights and certain regulatory forms of exclusivity. The scope of our patent rights varies from country to country and may also be dependent on the availability of meaningful legal remedies in a country. The failure to obtain patent and other intellectual property rights, or limitations on the use or loss of such rights, could be material to us. In some countries, including certain EU member states, basic patent protections for our products may not exist because certain countries did not historically offer the right to obtain specific types of patents and/or we (or our licensors) did not file in those countries. In addition, the patent environment can be unpredictable and the validity and enforceability of patents cannot be predicted with certainty. Absent relevant patent protection for a product, once the data exclusivity period expires, generic versions can be approved and marketed.

Generic and biosimilar product manufacturers as well as other groups seeking financial gain are also increasingly seeking to challenge patents before they expire, and we could face earlier-than-expected competition for any products at any time. Patents covering our key products have been, and are likely to continue to be, subject to patent litigation. For example, in February 2017 one of the EU patents for Sprycel was revoked by the Opposition Division of the EPO. As a result, we may experience a decline in European revenues in the second half of 2017. Refer to "Item 8. Financial Statements—Note 18. Legal Proceedings and Contingencies" for further information. In some cases, manufacturers may seek regulatory approval by submitting their own clinical trial data to obtain marketing approval or choose to launch a generic product "at risk" before the expiration of the applicable patent(s) and/or before the final resolution of related patent litigation. There is no assurance that a particular product will enjoy market exclusivity for the full time period that appears in the estimates disclosed in this Form 10-K or that we assume when we provide our financial guidance. In addition, some countries, such as India, are allowing competitors to manufacture and sell competing generic products, which negatively impacts the protections afforded the Company. Lower-priced biosimilars for BMS biologic products or competing biologics could negatively impact our volumes and prices.

***Increased pricing pressure and other restrictions in the U.S. and abroad from MCOs, institutional purchasers, and government agencies and programs, among others, could negatively affect our revenues and profit margins.***

*Our products continue to be subject to increasing pressures across the portfolio from market access, pricing and discounting and other restrictions in the U.S., the EU and other regions around the world, including from (i) rules and practices of MCOs and institutional and governmental purchasers; (ii) judicial decisions and changes in laws and regulations for federal healthcare programs such as Medicare and Medicaid, and other government actions and inquiries; (iii) the potential impact of changes to pharmaceutical reimbursement, and increased pricing pressure from Medicare Part D formularies, Medicare Part B reimbursement rates to physicians as well as commercial formularies in general; (iv) reimbursement delays; (v) government price erosion mechanisms across Europe and in other countries, resulting in deflation for pharmaceutical product pricing; (vi) collection delays or failures to pay in government-funded public hospitals outside the U.S. (vii) the impact on pricing from parallel trade across borders; (viii) other developments in technology and/or industry practices that could impact the reimbursement policies and practices of third-party payers; and (ix) inhibited market access due to real or perceived differences in value propositions for our products compared to competing products.*

***Changes in U.S. or foreign laws and regulations (including tax regulations) may negatively affect our revenues and profit margins.***

*We could become subject to new government laws and regulations, which could negatively affect our business, our operating results and the financial condition of our Company, such as (i) additional healthcare reform initiatives in the U.S. or in other countries, including additional mandatory discounts or fees; (ii) changing tax rates; changing the tax base including limiting, phasing-out or eliminating deductions or tax credits; taxing certain excess income from intellectual property; changing rules for earnings repatriations; and changing other tax laws in the U.S. or other countries; (iii) new laws, regulations and judicial or other governmental decisions affecting pricing, drug reimbursement, receivable payments, and access or marketing within or across jurisdictions; (iv) changes in intellectual property law; (v) changes in accounting standards; (vi) increasing data privacy regulations and enforcement; (vii) emerging and new global regulatory requirements for reporting payments and other value transfers to healthcare professionals; and (viii) the potential impact of importation restrictions, legislative and/or other regulatory changes.*

***Third-party royalties represent a significant percentage of our pretax income and operating cash flow.***

*We have entered into several arrangements which entitle us to potential royalties from third parties for out-licensed intellectual property, commercialization rights and sales-based contingent proceeds related to the divestiture of businesses. In many of these arrangements we have minimal, if any, continuing involvement that contribute to the financial success of those activities. Royalties have continued to represent a significant percentage of our pretax income, including royalties related to the divestiture of our diabetes business (including the transfer of certain future royalty rights pertaining to Amylin product sales), our Sanofi alliance, out-licensed intellectual property and contingent proceeds resulting from the Erbitux\* businesses. Pretax income generated from royalties were approximately \$1.0 billion in 2016. Our pretax income could be adversely affected if the royalty streams decline in future periods.*

***Failure to execute our business strategy could adversely impact our growth and profitability.***

*Our strategy is focused on delivering innovative, transformational medicines to patients. If we are unable to successfully execute on this strategy, this could negatively impact our future results of operations and market capitalization. In connection with this strategy, we recently announced an evolution to our operating model to focus on investment in commercial opportunities against key brands and markets, accelerate the pipeline, streamline operations and realign manufacturing capabilities that broaden biologics capabilities, among other things. Our ability to successfully execute our operating model evolution could impact our results. For example, if we are not able to achieve the cost savings we expect, this could negatively impact our operating margin and earnings results. In addition, we may not be able to consistently maintain a rich pipeline, through internal R&D programs or transactions with third parties, to support future revenue growth. Competition among pharmaceutical companies for acquisition and product licensing opportunities is intense, and we may not be able to locate suitable acquisition targets or licensing partners at reasonable prices, or successfully execute such transactions. If we are unable to support and grow our marketed products, successfully execute the launches of newly approved products, advance our late-stage pipeline, manage change and operating model evolution issues and manage our costs effectively, our operating results and financial condition could be negatively impacted.*

***Failure to attract and retain highly qualified personnel could affect our ability to successfully develop and commercialize products.***

*Our success is largely dependent on our continued ability to attract and retain highly qualified scientific, technical and management personnel, as well as personnel with expertise in clinical R&D, governmental regulation and commercialization. Competition for qualified personnel in the biopharmaceutical field is intense. We cannot be sure that we will be able to attract and retain quality personnel or that the costs of doing so will not materially increase.*

***Any businesses or assets we acquire in the future may underperform, and we may not be able to successfully integrate them into our existing business.***

*We may continue to support our pipeline with compounds or products obtained through licensing and acquisitions. Future revenues, profits and cash flows of an acquired company's products, technologies and pipeline candidates, may not materialize due to lower product uptake, delayed or missed pipeline opportunities, the inability to capture expected synergies, increased competition, safety concerns, regulatory issues, supply chain problems or other factors beyond our control. Substantial difficulties, costs and delays could result from integrating our acquisitions, including for (i) R&D, manufacturing, distribution, sales, marketing, promotion and information technology activities; (ii) policies, procedures, processes, controls and compliance; (iii) company cultures; (iv) compensation structures and other human resource activities; and (v) tax considerations.*

***We could experience difficulties and delays in the manufacturing, distribution and sale of our products.***

*Our product supply and related patient access could be negatively impacted by, among other things: (i) product seizures or recalls or forced closings of manufacturing plants; (ii) our failure, or the failure of any of our suppliers, to comply with cGMP and other applicable regulations or quality assurance guidelines that could lead to manufacturing shutdowns, product shortages or delays in product manufacturing; (iii) manufacturing, quality assurance/quality control, supply problems or governmental approval delays; (iv) the failure of a sole source or single source supplier to provide us with the necessary raw materials, supplies or finished goods within a reasonable timeframe and with required quality; (v) the failure of a third-party manufacturer to supply us with bulk active or finished product on time; (vi) construction or regulatory approval delays for new facilities or the expansion of existing facilities, including those intended to support future demand for our biologics products, such as Opdivo; (vii) the failure to meet new and emerging regulations requiring products to be tracked throughout the distribution channels using unique identifiers to verify their authenticity in the supply chain; (viii) other manufacturing or distribution issues, including limits to manufacturing capacity and changes in the types of products produced, such as biologics, physical limitations or other business interruptions; and (ix) disruption in supply chain continuity including from natural disasters, acts of war or terrorism or other external factors over which we have no control impacting one of our facilities or at a critical supplier.*

***Product labeling changes for our marketed products could result in a negative impact on revenues and profit margins.***

*We or regulatory authorities may need to change the labeling for any pharmaceutical product, including after a product has been marketed for several years. These changes are often the result of additional data from post-marketing studies, head-to-head trials, adverse events reports, studies that identify biomarkers (objective characteristics that can indicate a particular response to a product or therapy) or other studies or post-marketing experience that produce important additional information about a product. New information added to a product's label can affect its risk-benefit profile, leading to potential recalls, withdrawals or declining revenue, as well as product liability claims. Sometimes additional information from these studies identifies a portion of the patient population that may be non-responsive to a medicine or would be at higher risk of adverse reactions and labeling changes based on such studies may limit the patient population. The studies providing such additional information may be sponsored by us, but they could also be sponsored by competitors, insurance companies, government institutions, managed care organizations, scientists, investigators, or other interested parties. While additional safety and efficacy information from such studies assist us and healthcare providers in identifying the best patient population for each product, it can also negatively impact our revenues due to inventory returns and a more limited patient population going forward. Additionally, certain study results, especially from head-to-head trials, could affect a product's formulary listing, which could also adversely affect revenues.*

***The failure of third parties to meet their contractual, regulatory, and other obligations could adversely affect our business.***

*We rely on suppliers, vendors, outsourcing partners, alliance partners and other third parties to research, develop, manufacture, commercialize, co-promote and sell our products, manage certain marketing, selling, human resource, finance, IT and other business unit and functional services, and meet their contractual, regulatory and other obligations. Using these third parties poses a number of risks, such as: (i) they may not perform to our standards or legal requirements; (ii) they may not produce reliable results; (iii) they may not perform in a timely manner; (iv) they may not maintain confidentiality of our proprietary information; (v) disputes may arise with respect to ownership of rights to technology developed with our partners; and (vi) disagreements could cause delays in, or termination of, the research, development or commercialization of the product or result in litigation or arbitration. Moreover, some third parties are located in markets subject to political and social risk, corruption, infrastructure problems and natural disasters, in addition to country specific privacy and data security risk given current legal and regulatory environments. The failure of any critical third party to meet its obligations, including for future royalty and milestone payments; adequately deploy business continuity plans in the event of a crisis; and/or satisfactorily resolve significant disagreements with us or address other factors, could have a material adverse impact on our operations and results. In addition, if these third parties violate, or are alleged to have violated, any laws or regulations, including the local pharmaceutical code, U.S. Foreign Corrupt Practice Act, UK Bribery Act and other similar laws and regulations, during the performance of their obligations for us, it is possible that we could suffer financial and reputational harm or other negative outcomes, including possible legal consequences.*

***The illegal distribution and sale by third parties of counterfeit versions of our products or stolen products could have a negative impact on our reputation and business.***

*Third parties may illegally distribute and sell counterfeit versions of our products, which do not meet our rigorous manufacturing and testing standards. A patient who receives a counterfeit drug may be at risk for a number of dangerous health consequences. Our reputation and business could suffer harm as a result of counterfeit drugs sold under our brand name. In addition, thefts of inventory at warehouses, plants or while in-transit, which are then not properly stored and are later sold through unauthorized channels, could adversely impact patient safety, our reputation and our business.*

***We are dependent on information technology and our systems and infrastructure face certain risks, including from cybersecurity breaches and data leakage.***

*We rely extensively on IT systems, networks and services, including internet sites, data hosting and processing facilities and tools, physical security systems and other hardware, software and technical applications and platforms, some of which are managed, hosted provided and/or used for third-parties or their vendors, to assist in conducting our business. A significant breakdown, invasion, corruption, destruction or interruption of critical information technology systems or infrastructure, by our workforce, others with authorized access to our systems or unauthorized persons could negatively impact operations. The ever-increasing use and evolution of technology, including cloud-based computing, creates opportunities for the unintentional dissemination or intentional destruction of confidential information stored in our or our third-party providers' systems, portable media or storage devices. We could also experience a business interruption, theft of confidential information or reputational damage from industrial espionage attacks, malware or other cyber-attacks, which may compromise our system infrastructure or lead to data leakage, either internally or at our third-party providers. Although the aggregate impact on our operations and financial condition has not been material to date, we have been the target of events of this nature and expect them to continue as cybersecurity threats have been rapidly evolving in sophistication and becoming more prevalent in the industry. We have invested in industry appropriate protections and monitoring practices of our data and IT to reduce these risks and continue to monitor our systems on an ongoing basis for any current or potential threats. There can be no assurance, however, that our efforts will prevent breakdowns or breaches to our or our third-party providers' databases or systems that could adversely affect our business.*

***Increased use of social media platforms present risks and challenges.***

*We are increasing our use of social media to communicate Company news and events. The inappropriate and/or unauthorized use of certain media vehicles could cause brand damage or information leakage or could lead to legal implications, including from the improper collection and/or dissemination of personally identifiable information from employees, patients, healthcare professionals or other stakeholders. In addition, negative or inaccurate posts or comments about us on any social networking website could damage our reputation, brand image and goodwill. Further, the disclosure of non-public Company-sensitive information by our workforce or others through external media channels could lead to information loss. Identifying new points of entry as social media continues to expand presents new challenges.*

***Adverse changes in U.S., global, regional or local economic conditions could adversely affect our profitability.***

*Global economic risks pose significant challenges to a company's growth and profitability and are difficult to mitigate. We generated approximately 45% of our revenues outside of the U.S. in 2016. As such, our revenues, earnings and cash flow are exposed to risk from a strengthening U.S. dollar. The world's major economies hold historically-high debt levels and many are experiencing slow growth and high unemployment rates. We have exposure to customer credit risks in Europe, South America and other markets including from government-guaranteed hospital receivables in markets where payments are not received on time. We have significant operations in Europe, including for manufacturing and distribution. The results of our operations could be negatively impacted by any member country exiting the eurozone monetary union or EU, including the exit of the UK from the EU. In addition, future pension plan funding requirements continue to be sensitive to global economic conditions and the related impact on equity markets.*

***There can be no guarantee that we will pay dividends or repurchase stock.***

*The declaration, amount and timing of any dividends fall within the discretion of our Board of Directors. The Board's decision will depend on many factors, including our financial condition, earnings, capital requirements, debt service obligations, industry practice, legal requirements, regulatory constraints and other factors that our Board of Directors may deem relevant. A reduction or elimination of our dividend payments or dividend program could adversely affect our stock price. In addition, we could, at any time, decide not to buy back any more shares in the market, which could also adversely affect our stock price.*

**Item 1B. UNRESOLVED STAFF COMMENTS.**

None.

**Item 2. PROPERTIES.**

Our principal executive offices are located at 345 Park Avenue, New York, NY. We own or lease approximately 165 properties throughout the world for manufacturing, R&D, administration, storage and distribution. We believe our manufacturing properties, in combination with our third-party manufacturers, provide adequate production capacity for our current operations. For further information about our manufacturing properties, refer to “Item 1. Business—Manufacturing and Quality Assurance.”

Our significant manufacturing and R&D locations by geographic area were as follows at December 31, 2016:

	<u>Manufacturing</u>	<u>R&amp;D</u>
United States	4	5
Europe	3	2
Total	<u>7</u>	<u>7</u>

**Item 3. LEGAL PROCEEDINGS.**

Information pertaining to legal proceedings can be found in “Item 8. Financial Statements—Note 18. Legal Proceedings and Contingencies” and is incorporated by reference herein.

**Item 4. MINE SAFETY DISCLOSURES.**

Not applicable.

## PART IA

### Executive Officers of the Registrant

Listed below is information on our executive officers as of February 21, 2017. Executive officers are elected by the Board of Directors for an initial term, which continues until the first Board meeting following the next Annual Meeting of Stockholders, and thereafter, are elected for a one-year term or until their successors have been elected. Executive officers serve at the discretion of the Board of Directors.

<u>Name and Current Position</u>	<u>Age</u>	<u>Employment History for the Past 5 Years</u>
Giovanni Caforio, M.D. <i>Chief Executive Officer and Director Member of the Leadership Team</i>	52	2011 to 2013 – President, U.S. Pharmaceuticals 2013 to 2014 – Executive Vice President and Chief Commercial Officer 2014 to 2015 – Chief Operating Officer and Director of the Company 2015 to present – Chief Executive Officer and Director of the Company
Charles Bancroft <i>Chief Financial Officer and Executive Vice President, Global Business Operations Member of the Leadership Team</i>	57	2011 to 2016 - Chief Financial Officer and Executive Vice President, Global Services 2016 to Present - Chief Financial Officer and Executive Vice President, Global Business Operations
Emmanuel Blin <i>Senior Vice President, Chief Strategy Officer Member of the Leadership Team</i>	47	2010 to 2013 – President & General Manager, Japan 2013 to 2015 – President, Global Commercialization 2015 to 2016 – Senior Vice President, Head of Commercialization, Policy and Operations 2016 to present – Senior Vice President, Chief Strategy Officer
Joseph C. Caldarella <i>Senior Vice President and Corporate Controller</i>	61	2010 to present – Senior Vice President and Corporate Controller
Francis Cuss, MB BCHir, FRCP <i>Executive Vice President and Chief Scientific Officer Member of the Leadership Team</i>	62	2010 to 2013 – Senior Vice President, Research 2013 to present – Executive Vice President and Chief Scientific Officer
John E. Elicker <i>Senior Vice President, Public Affairs and Investor Relations Member of the Leadership Team</i>	57	2012 to present – Senior Vice President, Public Affairs and Investor Relations
Murdo Gordon <i>Executive Vice President, Chief Commercial Officer Member of the Leadership Team</i>	50	2011 to 2013 – Senior Vice President, Oncology and Immunology 2013 to 2015 – President, U.S. Pharmaceuticals 2015 to 2016 – Senior Vice President, Head of Worldwide Markets 2016 to present – Executive Vice President, Chief Commercial Officer
Ann Powell Judge <i>Senior Vice President, Chief Human Resources Officer Member of the Leadership Team</i>	51	2009 to 2013 – Chief Human Resources Officer, Shire Pharmaceuticals 2013 to 2016 – Senior Vice President, Global Human Resources 2016 to present – Senior Vice President, Chief Human Resources Officer
Sandra Leung <i>Executive Vice President, General Counsel Member of the Leadership Team</i>	56	2007 to 2014 – General Counsel and Corporate Secretary 2014 to 2015 – Executive Vice President, General Counsel and Corporate Secretary 2015 to present – Executive Vice President, General Counsel
Anne Nielsen <i>Senior Vice President, Chief Compliance and Ethics Officer Member of the Leadership Team</i>	56	2009 to 2013 – Vice President and Associate General Counsel 2013 to 2013 – Senior Vice President and Deputy General Counsel 2013 to present – Senior Vice President and Chief Compliance and Ethics Officer
Louis S. Schmukler <i>President, Global Manufacturing and Supply Member of the Leadership Team</i>	61	2011 to present – President, Global Manufacturing and Supply
Paul von Autenried <i>Senior Vice President, Chief Information Officer Member of the Leadership Team</i>	55	2011 to 2012 – Senior Vice President and Chief Information Officer 2012 to 2016 – Senior Vice President, Enterprise Services and Chief Information Officer 2016 to present – Senior Vice President, Chief Information Officer



## PART II

### Item 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND OTHER STOCKHOLDER MATTERS.

#### Market Prices

Bristol-Myers Squibb common stock is traded on the NYSE (Symbol: BMY). A quarterly summary of the high and low closing market price is presented below:

	2016		2015	
	High	Low	High	Low
<b>Common:</b>				
First Quarter	\$ 68.35	\$ 58.87	\$ 68.47	\$ 58.48
Second Quarter	74.29	64.91	69.15	63.00
Third Quarter	76.77	53.87	70.06	57.30
Fourth Quarter	59.61	49.23	70.71	59.88

#### Holder of Common Stock

The number of record holders of common stock at December 31, 2016 was 43,866.

The number of record holders is based upon the actual number of holders registered on our books at such date and does not include holders of shares in "street names" or persons, partnerships, associations, corporations or other entities identified in security position listings maintained by depository trust companies.

#### Dividends

Our Board of Directors declared the following quarterly dividends per share, which were paid in the periods indicated below:

	Common		Preferred	
	2016	2015	2016	2015
First Quarter	\$ 0.38	\$ 0.37	\$ 0.50	\$ 0.50
Second Quarter	0.38	0.37	0.50	0.50
Third Quarter	0.38	0.37	0.50	0.50
Fourth Quarter	0.38	0.37	0.50	0.50
	\$ 1.52	\$ 1.48	\$ 2.00	\$ 2.00

In December 2016, our Board of Directors declared a quarterly dividend of \$0.39 per share on our common stock which was paid on February 1, 2017 to shareholders of record as of January 6, 2017. The Board of Directors also declared a quarterly dividend of \$0.50 per share on our preferred stock, payable on March 1, 2017 to shareholders of record as of February 7, 2017.

## UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table summarizes the surrenders of our equity securities during the twelve month period ended December 31, 2016:

Period	Total Number of Shares Purchased <sup>(a)</sup>	Average Price Paid per Share <sup>(a)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Programs <sup>(b)</sup>	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs <sup>(b)</sup>
Dollars in Millions, Except Per Share Data				
January 1 to 31, 2016	29,768	\$ 68.96	—	\$ 1,368
February 1 to 29, 2016	1,334,226	\$ 62.45	1,193,017	\$ 1,294
March 1 to 31, 2016	4,008,710	\$ 64.12	2,464,576	\$ 1,137
Three months ended March 31, 2016	5,372,704		3,657,593	
April 1 to 30, 2016	7,807	\$ 64.78	—	\$ 1,137
May 1 to 31, 2016	13,948	\$ 71.50	—	\$ 1,137
June 1 to 30, 2016	10,311	\$ 71.96	—	\$ 1,137
Three months ended June 30, 2016	32,066		—	
July 1 to 31, 2016	15,069	\$ 73.72	—	\$ 1,137
August 1 to 31, 2016	6,223	\$ 75.10	—	\$ 1,137
September 1 to 30, 2016	5,702	\$ 57.36	—	\$ 1,137
Three months ended September 30, 2016	26,994		—	
October 1 to 31, 2016	6,881	\$ 54.61	—	\$ 4,137
November 1 to 30, 2016	11,011	\$ 51.54	—	\$ 4,137
December 1 to 31, 2016	22,220	\$ 55.72	—	\$ 4,137
Three months ended December 31, 2016	40,112		—	
Twelve months ended December 31, 2016	5,471,876		3,657,593	

- (a) Includes shares repurchased as part of publicly announced programs and shares of common stock surrendered to the Company to satisfy tax withholding obligations in connection with the vesting of awards under our long-term incentive program.
- (b) In May 2010, the Board of Directors authorized the repurchase of up to \$3.0 billion of common stock and in June 2012 increased its authorization for the repurchase of common stock by an additional \$3.0 billion. In October 2016, the Board of Directors approved a new share repurchase program authorizing the repurchase of an additional \$3.0 billion of common stock. The stock repurchase program does not have an expiration date.

**Item 6. SELECTED FINANCIAL DATA.**

**Five Year Financial Summary**

Amounts in Millions, except per share data

	2016	2015	2014	2013	2012
<b>Income Statement Data:<sup>(a)</sup></b>					
Total Revenues	\$ 19,427	\$ 16,560	\$ 15,879	\$ 16,385	\$ 17,621
<i>Continuing Operations:</i>					
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
<b>Financial Position Data at December 31:</b>					
Cash and cash equivalents	\$ 4,237	\$ 2,385	\$ 5,571	\$ 3,586	\$ 1,656
Marketable securities <sup>(b)</sup>	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 <sup>(b)</sup>	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.

**Item 7. 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 Form 10-K 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:

	Year Ended December 31,		
	2016	2015	2014
Dollars in Millions, except per share data			
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
<i>Effective tax rate</i>	<i>23.8%</i>	<i>21.5%</i>	<i>14.8%</i>
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
<i>Opdivo</i>	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.
<i>Opdivo+ Yervoy</i>	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.
<i>Empliciti</i>	September 2016	JMHLW manufacturing and marketing approval in combination with <i>Revlimid</i> * and dexamethasone for the treatment of multiple myeloma.
	May 2016	EC approval for the treatment of multiple myeloma as combination therapy with <i>Revlimid</i> * and dexamethasone in patients who have received at least one prior therapy.
<i>Orencia</i>	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 <i>Orencia</i> ClickJect Autoinjector, a new self-administered autoinjector for adults with moderate to severe RA.
	May 2016	Announced the commercial launch in Japan of the <i>Orencia</i> ClickJect Autoinjector for adults with moderate to severe RA.
Hepatitis C Franchise	December 2016	JMHLW manufacturing and marketing approval of <i>Ximency</i> combination tablet which contains daclatasvir, asunaprevir and beclabuvir for the treatment of HCV in genotype 1.
	February 2016	FDA approval of <i>Daklinza</i> 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 <i>Daklinza</i> for use with sofosbuvir for the treatment of chronic HCV in three new patient populations.
<i>Reyataz</i>	June 2016	EC approval for <i>Reyataz</i> oral powder indicated in HIV-infected children at least 3 months/5 kg and the optimized <i>Reyataz</i> 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:

Dollars in Millions	Year Ended December 31,			2016 vs. 2015		2015 vs. 2014	
	Total Revenues			Analysis of % Change		Analysis of % Change	
	2016	2015	2014	Total Change	Foreign Exchange <sup>(b)</sup>	Total Change	Foreign Exchange <sup>(b)</sup>
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 <sup>(a)</sup>	528	739	1,112	(29)%	N/A	(34)%	N/A
<b>Total</b>	<b>\$ 19,427</b>	<b>\$ 16,560</b>	<b>\$ 15,879</b>	<b>17 %</b>	<b>(2)%</b>	<b>4 %</b>	<b>(7)%</b>

(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 *Atripa*\* 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 *Atripa*\* 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 *Atrippla*\*):

Dollars in Millions	Year Ended December 31,			% Change	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
<b>Gross product sales</b>	\$ 22,364	\$ 17,166	\$ 13,793	30%	24%
<b>Gross-to-Net Adjustments</b>					
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%
<b>Total Gross-to-Net Adjustments</b>	(4,662)	(3,121)	(2,133)	49%	46%
<b>Net product sales</b>	\$ 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,			% Change	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
<b>Oncology</b>					
<i>Empliciti (elotuzumab)</i>	\$ 150	\$ 3	\$ —	**	N/A
U.S.	133	3	—	**	N/A
Non-U.S.	17	—	—	N/A	N/A
<i>Erbix* (cetuximab)</i>	—	501	723	(100)%	(31)%
U.S.	—	487	682	(100)%	(29)%
Non-U.S.	—	14	41	(100)%	(66)%
<i>Opdivo (nivolumab)</i>	3,774	942	6	**	**
U.S.	2,664	823	1	**	**
Non-U.S.	1,110	119	5	**	**
<i>Sprycel (dasatinib)</i>	1,824	1,620	1,493	13 %	9 %
U.S.	969	829	671	17 %	24 %
Non-U.S.	855	791	822	8 %	(4)%
<i>Yervoy (ipilimumab)</i>	1,053	1,126	1,308	(6)%	(14)%
U.S.	802	602	709	33 %	(15)%
Non-U.S.	251	524	599	(52)%	(13)%
<b>Cardiovascular</b>					
<i>Eliquis (apixaban)</i>	3,343	1,860	774	80 %	**
U.S.	1,963	1,023	404	92 %	**
Non-U.S.	1,380	837	370	65 %	**
<b>Immunoscience</b>					
<i>Orencia (abatacept)</i>	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 %
<b>Virology</b>					
<i>Baraclude (entecavir)</i>	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 ( <i>daclatasvir and asunaprevir</i> )	1,578	1,603	256	(2)%	**
U.S.	827	323	—	**	N/A
Non-U.S.	751	1,280	256	(41)%	**
<i>Reyataz (atazanavir sulfate) Franchise</i>	912	1,139	1,362	(20)%	(16)%
U.S.	484	591	689	(18)%	(14)%
Non-U.S.	428	548	673	(22)%	(19)%
<i>Sustiva (efavirenz) Franchise</i>	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)%
<b>Neuroscience</b>					
<i>Abilify* (aripiprazole)</i>	128	746	2,020	(83)%	(63)%
U.S.	—	600	1,572	(100)%	(62)%
Non-U.S.	128	146	448	(12)%	(67)%
<b>Mature Products and All Other</b>					
	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.

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

- BMS transferred its rights to *Erbix\** 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 mesylate).*

- 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 *Tyboost*\*

- 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

Dollar in Millions	2016	2015	2014	% Change	
				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	<u>\$ 13,512</u>	<u>\$ 14,483</u>	<u>\$ 13,498</u>	(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, *Erbix*\*, *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 *Erbix*\* 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:

Dollars in Millions	Year Ended December 31,		
	2016	2015	2014
<b>Cost of products sold<sup>(a)</sup></b>	\$ 21	\$ 84	\$ 151
Additional year of Branded Prescription Drug Fee	—	—	96
Process standardization implementation costs	—	10	9
<b>Marketing, selling and administrative</b>	—	10	105
License and asset acquisition charges	439	1,679	278
IPRD impairments	13	160	343
Accelerated depreciation and other	83	44	—
<b>Research and development</b>	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 <sup>(b)</sup>	—	—	40
<b>Other (income)/expense</b>	(314)	316	626
<b>Increase to pretax income</b>	242	2,293	1,503
Income taxes on items above	51	(480)	(545)
Specified tax charge <sup>(c)</sup>	—	—	123
<b>Income taxes</b>	51	(480)	(422)
<b>Increase to net earnings</b>	\$ 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:

Dollars in Millions, except per share data	Year Ended December 31,		
	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 *Emplititi* (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, *Ixemptra*\* 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, *Ixemptra*\* 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; and

### 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:

Dollars in Millions	Obligations Expiring by Period						
	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 <sup>(a)</sup>	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 <sup>(b)</sup>	70	70	—	—	—	—	—
Other long-term liabilities <sup>(c)</sup>	526	—	126	67	58	37	238
Total	<u>\$ 14,815</u>	<u>\$ 2,645</u>	<u>\$ 964</u>	<u>\$ 1,247</u>	<u>\$ 656</u>	<u>\$ 441</u>	<u>\$ 8,862</u>

(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
<i>Opdivo</i>	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 <i>Adcetris</i> * (brentuximab) in combination with <i>Opdivo</i> 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 <i>Opdivo</i> 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 <i>Opdivo</i> 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 <i>Opdivo</i> 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 <i>Opdivo</i> 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 <i>Opdivo</i> in heavily pretreated advanced melanoma patients.
		January 2016	FDA expanded the use of <i>Opdivo</i> as a single agent to include previously untreated BRAF mutation positive advanced melanoma patients.
	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 <i>Opdivo</i> 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 <i>Opdivo</i> 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 <i>Opdivo</i> in previously treated metastatic NSCLC patients.
		October 2016	Presented the final primary analysis of CheckMate-026, a Phase III trial evaluating <i>Opdivo</i> as a first-line monotherapy in patients with advanced NSCLC whose tumors expressed PD-L1 $\geq$ 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 <i>Opdivo</i> 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 <i>Opdivo</i> 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 <i>Opdivo</i> 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 <i>Opdivo</i> for patients with previously treated recurrent or metastatic SCCHN.
		April 2016	Announced data from CheckMate-141, a Phase III trial evaluating <i>Opdivo</i> 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.

Product	Indication	Date	Developments
<b>Opdivo+Yervoy</b>	Colorectal cancer	June 2016	Announced data from CheckMate-142, a Phase II trial evaluating <i>Opdivo</i> alone or in combination with <i>Yervoy</i> 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 <i>Opdivo+Yervoy</i> 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 <i>Opdivo+Yervoy</i> 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 <i>Opdivo+Yervoy</i> 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 <i>Opdivo</i> monotherapy or in combination with <i>Yervoy</i> 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 <i>Opdivo+Yervoy</i> 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 <i>Opdivo</i> monotherapy and in combination with <i>Yervoy</i> in previously treated SCLC patients.	
<b>Empliciti</b>	Multiple Myeloma	September 2016	JMHLW manufacturing and marketing approval in combination with <i>Revlimid*</i> (lenalidomide) and dexamethasone for the treatment of multiple myeloma.
		May 2016	EC approval for the treatment of multiple myeloma as combination therapy with <i>Revlimid*</i> and dexamethasone in patients who have received at least one prior therapy.
<b>Yervoy</b>	Melanoma	October 2016	Announced new data from CA184-029, a Phase III trial evaluating <i>Yervoy</i> in stage III melanoma patients who are at high risk of recurrence following complete surgical resection.
<b>Orencia</b>	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 <i>Orencia</i> 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.
<b>Hepatitis C Portfolio</b>	HCV	December 2016	JMHLW manufacturing and marketing approval of <i>Ximency</i> combination tablet which contains daclatasvir, asunaprevir and beclabuvir for the treatment of HCV in genotype 1.
		February 2016	FDA approval of <i>Daklinza</i> 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 ( <i>Daklinza</i> in combination with asunaprevir) Phase III trial that includes a Chinese patient population.
		January 2016	EC approval of <i>Daklinza</i> for use with sofosbuvir for the treatment of chronic HCV in three new patient populations.
<b>Reyataz</b>	HIV	June 2016	EC approval for <i>Reyataz</i> oral powder indicated in HIV-infected children at least 3 months/5 kg and the optimized <i>Reyataz</i> 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.

## **Item 7A. 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.”

**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

**BRISTOL-MYERS SQUIBB COMPANY**  
**CONSOLIDATED STATEMENTS OF EARNINGS**  
Dollars in Millions, Except Per Share Data

EARNINGS	Year Ended December 31,		
	2016	2015	2014
Net product sales	\$ 17,702	\$ 14,045	\$ 11,660
Alliance and other revenues	1,725	2,515	4,219
<b>Total Revenues</b>	<b>19,427</b>	<b>16,560</b>	<b>15,879</b>
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
<b>Total Expenses</b>	<b>13,512</b>	<b>14,483</b>	<b>13,498</b>
Earnings Before Income Taxes	5,915	2,077	2,381
Provision for Income Taxes	1,408	446	352
<b>Net Earnings</b>	<b>4,507</b>	<b>1,631</b>	<b>2,029</b>
Net Earnings Attributable to Noncontrolling Interest	50	66	25
<b>Net Earnings Attributable to BMS</b>	<b>\$ 4,457</b>	<b>\$ 1,565</b>	<b>\$ 2,004</b>
<b>Earnings per Common Share</b>			
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

COMPREHENSIVE INCOME	Year Ended December 31,		
	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)
<b>Total Other Comprehensive Loss</b>	<b>(35)</b>	<b>(43)</b>	<b>(284)</b>
<b>Comprehensive Income</b>	<b>4,472</b>	<b>1,588</b>	<b>1,745</b>
Comprehensive Income Attributable to Noncontrolling Interest	50	66	25
<b>Comprehensive Income Attributable to BMS</b>	<b>\$ 4,422</b>	<b>\$ 1,522</b>	<b>\$ 1,720</b>

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

**BRISTOL-MYERS SQUIBB COMPANY**  
**CONSOLIDATED BALANCE SHEETS**  
Dollars in Millions, Except Share and Per Share Data

	December 31,	
	2016	2015
<b>ASSETS</b>		
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
<b>LIABILITIES</b>		
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)		
<b>EQUITY</b>		
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.

**BRISTOL-MYERS SQUIBB COMPANY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Dollars in Millions

	Year Ended December 31,		
	2016	2015	2014
<b>Cash Flows From Operating Activities:</b>			
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
<b>Net Cash Provided by Operating Activities</b>	<b>2,850</b>	<b>1,832</b>	<b>3,148</b>
<b>Cash Flows From Investing Activities:</b>			
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)
<b>Net Cash Provided by/(Used in) Investing Activities</b>	<b>1,480</b>	<b>(1,572)</b>	<b>1,216</b>
<b>Cash Flows From Financing Activities:</b>			
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)
<b>Net Cash Used in Financing Activities</b>	<b>(2,445)</b>	<b>(3,351)</b>	<b>(2,437)</b>
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
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 4,237</b>	<b>\$ 2,385</b>	<b>\$ 5,571</b>

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 Form 10-K 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.

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

### 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 *Atripa*\* 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:

Dollars in Millions	Revenues			Property, Plant and Equipment	
	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 <sup>(a)</sup>	3,964	4,142	3,459	112	115
Other <sup>(b)</sup>	528	739	1,112	—	—
Total	<u>\$ 19,427</u>	<u>\$ 16,560</u>	<u>\$ 15,879</u>	<u>\$ 4,980</u>	<u>\$ 4,412</u>

(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:

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

The composition of total revenues was as follows:

Dollars in Millions	Year Ended December 31,		
	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	<u>\$ 19,427</u>	<u>\$ 16,560</u>	<u>\$ 15,879</u>

### 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*, *Erbbitux\**, *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.

Dollars in Millions	Year Ended December 31,		
	2016	2015	2014
<b>Revenues from alliances:</b>			
Net product sales	\$ 5,568	\$ 4,308	\$ 3,531
Alliance revenues	1,629	2,408	3,828
Total Revenues	<u>\$ 7,197</u>	<u>\$ 6,716</u>	<u>\$ 7,359</u>
<b>Payments to/(from) alliance partners:</b>			
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
<b>Selected Alliance Balance Sheet Information:</b>			
Dollars in Millions	December 31,		
	2016	2015	
Receivables – from alliance partners	\$ 903	\$ 958	
Accounts payable – to alliance partners	555	542	
Deferred income from alliances <sup>(a)</sup>	1,194	1,459	

(a) Includes unamortized upfront, milestone and other licensing proceeds, revenue deferrals attributed to *Atrippla*\* 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:

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

Dollars in Millions	Year Ended December 31,		
	2016	2015	2014
<b>Revenues from Gilead alliances:</b>			
Alliance revenues	\$ 934	\$ 1,096	\$ 1,255
Equity in net loss of affiliates	\$ 12	\$ 17	\$ 39
<b>Selected Alliance Balance Sheet Information:</b>			
Dollars in Millions	December 31,		
	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:

Dollars in Millions	Year Ended December 31,		
	2016	2015	2014
<b>Revenues from Otsuka alliances:</b>			
Net product sales	\$ 1,670	\$ 1,501	\$ 1,493
Alliance revenues <sup>(a)</sup>	2	604	1,778
Total Revenues	<u>\$ 1,672</u>	<u>\$ 2,105</u>	<u>\$ 3,271</u>
<b>Payments to/(from) Otsuka:</b>			
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:

Dollars in Millions	Year Ended December 31,		
	2016	2015	2014
<b>Revenues from Lilly alliance:</b>			
Net product sales	\$ —	\$ 492	\$ 691
Alliance revenues	—	9	32
Total revenues	\$ —	\$ 501	\$ 723
<b>Payments to/(from) Lilly:</b>			
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:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020 - 2025</u>
<i>Onglyza</i> * and <i>Farxiga</i> * Worldwide Net Sales up to \$500 million	44%	35%	27%	12%	20%	22%	14-25%
<i>Onglyza</i> * and <i>Farxiga</i> * 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:

Dollars in Millions	Year Ended December 31,		
	2016	2015	2014
<b>Revenues from AstraZeneca alliances:</b>			
Net product sales	\$ —	\$ 14	\$ 160
Alliance revenues	129	182	135
Total Revenues	<u>\$ 129</u>	<u>\$ 196</u>	<u>\$ 295</u>
<b>Payments to/(from) AstraZeneca:</b>			
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)
<b>Selected Alliance Cash Flow Information:</b>			
Deferred income	19	34	315
Divestiture and other proceeds	216	374	3,495
<b>Selected Alliance Balance Sheet Information:</b>			
Dollars in Millions	December 31,		
	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:

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

Dollars in Millions	Year Ended December 31,		
	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:

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

### 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:

Dollars in Millions	Year Ended December 31,		
	2016	2015	2014
<b>Revenues from AbbVie alliance:</b>			
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:

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

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

Dollars in Millions	Year Ended December 31,	
	2015	2014
<b>Revenues from Valeant alliance:</b>		
Alliance revenues	\$ (1)	\$ 44
Other (income)/expense – Divestiture gain	(88)	—
<b>Selected Alliance Cash Flow Information:</b>		
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 <sup>(a)</sup>	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 <sup>(b)</sup>	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**

Dollars in Millions	Proceeds <sup>(a)</sup>			Divestiture (Gains) / Losses			Royalties		
	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)
<i>Erbix</i> * <sup>*</sup>	252	9	—	—	171	—	(246)	(70)	—
<i>Recothrom</i> * <sup>*</sup>	—	132	—	—	(59)	—	—	—	—
Mature brand products (Valeant)	—	61	—	—	(88)	—	—	—	—
<i>Ixemptra</i> * <sup>*</sup>	13	113	—	—	(88)	—	(11)	(8)	—
Other	15	8	70	(15)	(48)	(28)	—	—	—
	<u>\$ 1,317</u>	<u>\$ 697</u>	<u>\$ 3,565</u>	<u>\$ (564)</u>	<u>\$ (194)</u>	<u>\$ (564)</u>	<u>\$ (618)</u>	<u>\$ (293)</u>	<u>\$ (192)</u>

(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:

Dollars in Millions	Year Ended December 31,		
	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	<u>\$ (1,285)</u>	<u>\$ (187)</u>	<u>\$ 210</u>

- 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:

Dollars in Millions	Year Ended December 31,		
	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	—
<b>Total charges</b>	<b>\$ 213</b>	<b>\$ 233</b>	<b>\$ 314</b>

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

Dollars in Millions	Year Ended December 31,		
	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)
<b>Liability at December 31</b>	<b>\$ 114</b>	<b>\$ 125</b>	<b>\$ 156</b>

## Note 7. INCOME TAXES

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

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

## Effective Tax Rate

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

Dollars in Millions	% of Earnings Before Income Taxes					
	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)%
	<u>\$ 1,408</u>	<u>23.8 %</u>	<u>\$ 446</u>	<u>21.5 %</u>	<u>\$ 352</u>	<u>14.8 %</u>

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:

Dollars in Millions	December 31,	
	2016	2015
<b>Deferred tax assets</b>		
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
<b>Deferred tax liabilities</b>		
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

Amounts in Millions, Except Per Share Data	Year Ended December 31,		
	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		December 31, 2015	
	Level 1	Level 2	Level 1	Level 2
<b>Cash and cash equivalents - Money market and other securities</b>	\$ —	\$ 3,532	\$ —	\$ 1,825
<b>Marketable securities:</b>				
Certificates of deposit	—	27	—	804
Commercial paper	—	750	—	—
Corporate debt securities	—	3,947	—	5,638
Equity funds	—	101	—	92
Fixed income funds	—	7	—	11
<b>Derivative assets</b>	—	75	—	96
<b>Equity investments</b>	24	—	60	—
<b>Derivative liabilities</b>	—	(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
<b>December 31, 2016</b>				
Certificates of deposit	\$ 27	\$ —	\$ —	\$ 27
Commercial paper	750	—	—	750
Corporate debt securities	3,945	10	(8)	3,947
Equity investments	31	—	(7)	24
<b>Total</b>	<u>\$ 4,753</u>	<u>\$ 10</u>	<u>\$ (15)</u>	<u>\$ 4,748</u>
<b>December 31, 2015</b>				
Certificates of deposit	\$ 804	\$ —	\$ —	\$ 804
Corporate debt securities	5,646	15	(23)	5,638
Equity investments	74	10	(24)	60
<b>Total</b>	<u>\$ 6,524</u>	<u>\$ 25</u>	<u>\$ (47)</u>	<u>\$ 6,502</u>

Dollars in Millions	December 31, 2016	December 31, 2015
Current marketable securities <sup>(a)</sup>	\$ 2,113	\$ 1,885
Non-current marketable securities <sup>(b)</sup>	2,719	4,660
Other assets	24	60
<b>Total</b>	<u>\$ 4,856</u>	<u>\$ 6,605</u>

(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:

Dollars in Millions	Balance Sheet Location	December 31, 2016		December 31, 2015	
		Notional	Fair Value	Notional	Fair Value
<i>Derivatives designated as hedging instruments:</i>					
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)
<i>Derivatives not designated as hedging instruments:</i>					
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	—
<b>Total</b>	<b>\$ 992</b>	<b>\$ 139</b>

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
<b>Principal Value:</b>		
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
<b>Subtotal</b>	<b>6,261</b>	<b>6,339</b>
<b>Adjustments to Principal Value:</b>		
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)
<b>Total</b>	<b>\$ 6,465</b>	<b>\$ 6,550</b>
Current portion of long-term debt	\$ 749	\$ —
<b>Long-term debt</b>	<b>5,716</b>	<b>6,550</b>

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):

Amounts in Millions	2015	
	Euro	U.S. dollars
<b>Principal Value:</b>		
1.000% Euro Notes due 2025	€ 575	\$ 643
1.750% Euro Notes due 2035	575	643
<b>Total</b>	<b>€ 1,150</b>	<b>\$ 1,286</b>
Proceeds net of discount and deferred loan issuance costs	€ 1,133	\$ 1,268
<b>Forward starting interest rate swap contracts terminated:</b>		
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 <sup>(a)</sup>	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	<u>\$ 5,543</u>	<u>\$ 4,299</u>

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:

Dollars in Millions	Year Ended December 31,		
	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	<u>\$ 174</u>	<u>\$ 122</u>	<u>\$ 93</u>

**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	<u>\$ 1,562</u>	<u>\$ 1,448</u>
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
<b>Goodwill</b>		\$ 6,875	\$ 6,881
<b>Other intangible assets:</b>			
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
<b>Total accrued liabilities</b>	<b>\$ 5,271</b>	<b>\$ 4,738</b>

## Note 15. EQUITY

Dollars and Shares in Millions	Common Stock		Capital in Excess of Par Value of Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock		Noncontrolling Interest
	Shares	Par Value				Shares	Cost	
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:

Dollars in Millions	Year Ended December 31,								
	2016			2015			2014		
	Pretax	Tax	After Tax	Pretax	Tax	After Tax	Pretax	Tax	After Tax
Derivatives qualifying as cash flow hedges <sup>(a)</sup>									
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 <sup>(b)</sup>	78	(25)	53	85	(28)	57	104	(37)	67
Settlements and curtailments <sup>(c)</sup>	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 <sup>(c)</sup>	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:

Dollars in Millions	December 31,	
	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
Curtailements	—	(1)	1
Settlements	91	161	866
Special termination benefits	1	—	14
Net periodic benefit cost/(credit)	<u>\$ (29)</u>	<u>\$ 110</u>	<u>\$ 819</u>

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	<u>\$ 6,440</u>	<u>\$ 6,418</u>
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	<u>\$ 5,831</u>	<u>\$ 5,687</u>
Funded status	<u>\$ (609)</u>	<u>\$ (731)</u>
Assets/(Liabilities) recognized:		
Other assets	\$ 26	\$ 71
Accrued liabilities	(35)	(37)
Pension and other liabilities	(600)	(765)
Funded status	<u>\$ (609)</u>	<u>\$ (731)</u>
Recognized in accumulated other comprehensive loss:		
Net actuarial losses	\$ 3,123	\$ 3,140
Prior service credit	(39)	(39)
Total	<u>\$ 3,084</u>	<u>\$ 3,101</u>

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	
<b>Pension plans with projected benefit obligations in excess of plan assets:</b>				
Projected benefit obligation	\$	6,195	\$	5,310
Fair value of plan assets		5,559		4,508
<b>Pension plans with accumulated benefit obligations in excess of plan assets:</b>				
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:

Dollars in Millions	December 31, 2016				December 31, 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Plan Assets</b>								
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	<u>\$ 1,052</u>	<u>\$ 4,158</u>	<u>\$ 112</u>	<u>\$ 5,322</u>	<u>\$ 1,596</u>	<u>\$ 3,488</u>	<u>\$ 115</u>	<u>\$ 5,199</u>
<b>Plan assets measured at NAV as a practical expedient</b>								
Equity funds				\$ 476				\$ 495
Venture capital and limited partnerships				198				249
Other				166				72
Total plan assets measured at NAV as a practical expedient				<u>840</u>				<u>816</u>
Net plan assets				<u>\$ 6,162</u>				<u>\$ 6,015</u>

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	<u>Insurance contracts</u>
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	<u>\$ 112</u>

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:

Dollars in Millions	Years Ended December 31,		
	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

Shares in Thousands	Stock Options		Restricted Stock Units		Market Share Units		Performance Share Units	
	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	Market	Performance
	Stock Units	Share Units	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:

Range of Exercise Prices	Options Outstanding and Exercisable			
	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
	<u>6,403</u>	1.43	\$ 21.02	<u>\$ 240</u>

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 unfilled 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
<b>2016</b>					
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 <sup>(a)</sup>	\$ 0.72	\$ 0.70	\$ 0.72	\$ 0.53	\$ 2.67
Earnings per Share - Diluted <sup>(a)</sup>	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 <sup>(b)</sup>	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 <sup>(c)</sup>	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
<b>2015</b>					
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 <sup>(a)</sup>	\$ 0.71	\$ (0.08)	\$ 0.42	\$ (0.12)	\$ 0.94
Earnings/(Loss) per Share - Diluted <sup>(a)</sup>	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 <sup>(b)</sup>	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
<b>Cost of products sold<sup>(a)</sup></b>	\$ 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
<b>Research and development</b>	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
<b>Other (income)/expense</b>	(185)	(234)	22	83	(314)
<b>Increase/(decrease) to pretax income</b>	(43)	(78)	88	275	242
Income tax on items above	83	76	(3)	(105)	51
<b>Increase/(decrease) to net earnings</b>	\$ 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
<b>Cost of products sold<sup>(a)</sup></b>	\$ 34	\$ 25	\$ 15	\$ 10	\$ 84
<b>Marketing, selling and administrative<sup>(b)</sup></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
<b>Research and development</b>	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
<b>Other (income)/expense</b>	(122)	237	(227)	428	316
<b>Increase/(decrease) to pretax income</b>	75	1,136	(101)	1,183	2,293
Income tax on items above	(68)	(116)	43	(339)	(480)
<b>Increase/(decrease) to net earnings</b>	\$ 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.

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.

*/s/ DELOITTE & TOUCHE LLP*

Parsippany, New Jersey  
February 21, 2017

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

None.

**Item 9A. 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.

**Item 9B. 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 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.

*/s/ DELOITTE & TOUCHE LLP*

Parsippany, New Jersey  
February 21, 2017

### PART III

#### Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

- (a) Reference is made to the 2017 Proxy Statement to be filed on or about March 23, 2017 with respect to the Directors of the Registrant, which is incorporated herein by reference and made a part hereof in response to the information required by Item 10.
- (b) The information required by Item 10 with respect to the Executive Officers of the Registrant has been included in Part IA of this Form 10-K in reliance on General Instruction G of Form 10-K and Instruction 3 to Item 401(b) of Regulation S-K.

#### Item 11. EXECUTIVE COMPENSATION.

Reference is made to the 2017 Proxy Statement to be filed on or about March 23, 2017 with respect to Executive Compensation, which is incorporated herein by reference and made a part hereof in response to the information required by Item 11.

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

Reference is made to the 2017 Proxy Statement to be filed on or about March 23, 2017 with respect to the security ownership of certain beneficial owners and management, which is incorporated herein by reference and made a part hereof in response to the information required by Item 12.

#### Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Reference is made to the 2017 Proxy Statement to be filed on or about March 23, 2017 with respect to certain relationships and related transactions, which is incorporated herein by reference and made a part hereof in response to the information required by Item 13.

#### Item 14. AUDITOR FEES.

Reference is made to the 2017 Proxy Statement to be filed on or about March 23, 2017 with respect to auditor fees, which is incorporated herein by reference and made a part hereof in response to the information required by Item 14.

### PART IV

#### Item 15. EXHIBITS and FINANCIAL STATEMENT SCHEDULE.

(a)

	<u>Page Number</u>
1. Consolidated Financial Statements	
<a href="#">Consolidated Statements of Earnings and Comprehensive Income</a>	<a href="#">53</a>
<a href="#">Consolidated Balance Sheets</a>	<a href="#">54</a>
<a href="#">Consolidated Statements of Cash Flows</a>	<a href="#">55</a>
<a href="#">Notes to Consolidated Financial Statements</a>	<a href="#">56</a>
<a href="#">Report of Independent Registered Public Accounting Firm</a>	<a href="#">100</a>

All other schedules not included with this additional financial data are omitted because they are not applicable or the required information is included in the financial statements or notes thereto.

2. <a href="#">Exhibits Required to be filed by Item 601 of Regulation S-K</a>	<a href="#">106</a>
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The information called for by this Item is incorporated herein by reference to the Exhibit Index in this Form 10-K.

#### Item 16. FORM 10-K SUMMARY.

None.





## 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 Form 10-K. Throughout this 2016 Form 10-K 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

## EXHIBIT INDEX

The Exhibits listed below are identified by numbers corresponding to the Exhibit Table of Item 601 of Regulation S-K. The Exhibits designated by the symbol ‡‡ are management contracts or compensatory plans or arrangements required to be filed pursuant to Item 15. The symbol ‡ in the Page column indicates that the Exhibit has been previously filed with the Commission and is incorporated herein by reference. Unless otherwise indicated, all Exhibits are part of Commission File Number 1-1136.

Exhibit No.	Description	Page No
3a.	Amended and Restated Certificate of Incorporation of Bristol-Myers Squibb Company (incorporated herein by reference to Exhibit 3a to the Form 10-Q for the quarterly period ended June 30, 2005).	‡
3b.	Certificate of Correction to the Amended and Restated Certificate of Incorporation, effective as of December 24, 2009 (incorporated herein by reference to Exhibit 3b to the Form 10-K for the fiscal year ended December 31, 2010).	‡
3c.	Certificate of Amendment to the Amended and Restated Certificate of Incorporation, effective as of May 7, 2010 (incorporated herein by reference to Exhibit 3a to the Form 8-K dated May 4, 2010 and filed on May 10, 2010).	‡
3d.	Certificate of Amendment to the Amended and Restated Certificate of Incorporation, effective as of May 7, 2010 (incorporated herein by reference to Exhibit 3b to the Form 8-K dated May 4, 2010 and filed on May 10, 2010).	‡
3e.	Bylaws of Bristol-Myers Squibb Company, as amended as of November 2, 2016 (incorporated herein by reference to Exhibit 3.1 to the Form 8-K dated November 2, 2016 and filed November 4, 2016).	‡
4a.	Letter of Agreement dated March 28, 1984 (incorporated herein by reference to Exhibit 4 to the Form 10-K for the fiscal year ended December 31, 1983).	‡
4b.	Indenture, dated as of June 1, 1993, between Bristol-Myers Squibb Company and JPMorgan Chase Bank (as successor trustee to The Chase Manhattan Bank (National Association)) (incorporated herein by reference to Exhibit 4.1 to the Form 8-K dated May 27, 1993 and filed on June 3, 1993).	‡
4c.	Form of 7.15% Debenture due 2023 of Bristol-Myers Squibb Company (incorporated herein by reference to Exhibit 4.2 to the Form 8-K dated May 27, 1993 and filed on June 3, 1993).	‡
4d.	Form of 6.80% Debenture due 2026 of Bristol-Myers Squibb Company (incorporated herein by reference to Exhibit 4e to the Form 10-K for the fiscal year ended December 31, 1996).	‡
4e.	Form of 6.875% Debenture due 2097 of Bristol-Myers Squibb Company (incorporated herein by reference to Exhibit 4f to the Form 10-Q for the quarterly period ended September 30, 1997).	‡
4f.	Indenture, dated October 1, 2003, between Bristol-Myers Squibb Company, as Issuer, and JPMorgan Chase Bank, as Trustee (incorporated herein by reference to Exhibit 4q to the Form 10-Q for the quarterly period ended September 30, 2003).	‡
4g.	Form of Floating Rate Convertible Senior Debenture due 2023 (incorporated herein by reference to Exhibit 4s to the Form 10-Q for the quarterly period ended September 30, 2003).	‡
4h.	Specimen Certificate of Common Stock (incorporated herein by reference to Exhibit 4s to the Form 10-K for the fiscal year ended December 31, 2003).	‡
4i.	Form of Fourth Supplemental Indenture between Bristol-Myers Squibb Company and The Bank of New York, as Trustee, to the indenture dated June 1, 1993 (incorporated herein by reference to Exhibit 4r to the Form 8-K dated November 20, 2006 and filed on November 27, 2006).	‡
4j.	Form of 5.875% Notes due 2036 (incorporated herein by reference to Exhibit 4s to the Form 8-K dated November 20, 2006 and filed November 27, 2006).	‡
4k.	Form of 4.625% Notes due 2021 (incorporated herein by reference to Exhibit 4u to the Form 8-K dated November 20, 2006 and filed November 27, 2006).	‡
4l.	Form of Fifth Supplemental Indenture between Bristol-Myers Squibb Company and The Bank of New York, as Trustee, to the indenture dated June 1, 1993 (incorporated herein by reference to Exhibit 4.1 to the Form 8-K dated May 1, 2008 and filed on May 7, 2008).	‡
4m.	Form of 6.125% Notes due 2038 (incorporated herein by reference to Exhibit 4.3 to the Form 8-K dated May 1, 2008 and filed on May 7, 2008).	‡

- 4n. Form of Sixth Supplemental Indenture between Bristol-Myers Squibb Company and The Bank of New York, as Trustee, to the indenture dated June 1, 1993 (incorporated herein by reference to Exhibit 4.1 to the Form 8-K dated July 26, 2012 and filed on July 31, 2012). †
- 4o. Form of 0.875% Notes Due 2017 (incorporated herein by reference to Exhibit 4.1 to the Form 8-K dated July 26, 2012 and filed on July 31, 2012). †
- 4p. Form of 2.000% Notes Due 2022 (incorporated herein by reference to Exhibit 4.1 to the Form 8-K dated July 26, 2012 and filed on July 31, 2012). †
- 4q. Form of 3.250% Notes Due 2042 (incorporated herein by reference to Exhibit 4.1 to the Form 8-K dated July 26, 2012 and filed on July 31, 2012). †
- 4r. Seventh Supplemental Indenture, dated as of October 31, 2013, between Bristol-Myers Squibb Company and The Bank of New York Mellon, as Trustee to the Indenture dated as of June 1, 1993 (incorporated herein by reference to Exhibit 4.1 to the Form 8-K dated and filed on October 31, 2013). †
- 4s. Form of 1.750% Notes Due 2019 (incorporated herein by reference to Exhibit 4.2 to the Form 8-K dated and filed on October 31, 2013). †
- 4t. Form of 3.250% Notes Due 2023 (incorporated herein by reference to Exhibit 4.3 to the Form 8-K dated and filed on October 31, 2013). †
- 4u. Form of 4.500% Notes Due 2044 (incorporated herein by reference to Exhibit 4.4 to the Form 8-K dated and filed on October 31, 2013). †
- 4v. Eighth Supplemental Indenture, dated as of May 5, 2015, between Bristol-Myers Squibb Company and The Bank of New York Mellon, as Trustee, to the Indenture dated as of June 1, 1993 (incorporated herein by reference to Exhibit 4.1 to the Form 8-K dated and filed on May 5, 2015). †
- 4w. Form of €575,000,000 1.000% Notes Due 2025 (incorporated herein by reference to Exhibit 4.2 to the Form 8-K dated and filed on May 5, 2015). †
- 4x. Form of €575,000,000 1.750% Notes Due 2035 (incorporated herein by reference to Exhibit 4.3 to the Form 8-K dated and filed on May 5, 2015). †
- 10a. \$1,500,000,000 Five Year Competitive Advance and Revolving Credit Facility Agreement dated as of September 29, 2011 among Bristol-Myers Squibb Company, the borrowing subsidiaries, the lenders named in the agreement, BNP Paribas and The Royal Bank of Scotland plc, as documentation agents, Bank of America N.A., as syndication agent, and JPMorgan Chase Bank, N.A. and Citibank, N.A., as administrative agents (incorporated herein by reference to Exhibit 10.1 to the Form 8-K dated September 29, 2011 and filed on October 4, 2011). †
- 10b. First Amendment dated June 21, 2013 to the Five Year Competitive Advance and Revolving Credit Facility Agreement dated as of September 29, 2011 among Bristol-Myers Squibb Company, the several financial institutions from time to time party to the agreement, and JPMorgan Chase Bank, N.A. and Citibank N.A. as administrative agents (incorporated herein by reference to Exhibit 10a to the Form 10-Q for the quarterly period ended June 30, 2013). †
- 10c. Extension notice dated June 3, 2013 for the Five Year Competitive Advance and Revolving Credit Facility Agreement dated as of September 29, 2011 among Bristol-Myers Squibb Company, the several financial institutions from time to time party to the agreement, and JPMorgan Chase Bank, N.A. and Citibank N.A. as administrative agents (incorporated herein by reference to Exhibit 10b to the Form 10-Q for the quarterly period ended June 30, 2013). †
- 10d. \$1,500,000,000 Five Year Competitive Advance and Revolving Credit Facility Agreement dated as of July 31, 2012 among Bristol-Myers Squibb Company, the borrowing subsidiaries, the lenders named in the agreement, Bank of America N.A., Barclays Bank plc, Deutsche Bank Securities Inc., and Wells Fargo Bank, National Association as documentation agents, Citibank, N.A. and JPMorgan Chase Bank, N.A., as administrative agents (incorporated herein by reference to Exhibit 10.1 to the Form 8-K dated July 26, 2012 and filed on July 31, 2012). †
- 10e. Extension notice dated May 31, 2013 for the Five Year Competitive Advance and Revolving Credit Facility Agreement dated as of July 30, 2012 among Bristol-Myers Squibb Company, the several financial institutions from time to time party to the agreement, and JPMorgan Chase Bank, N.A. and Citibank N.A. as administrative agents (incorporated herein by reference to Exhibit 10c to the Form 10-Q for the quarterly period ended June 30, 2013). †

- 10f. Extension notice dated June 2, 2014 for the Five Year Competitive Advance and Revolving Credit Facility Agreement dated as of September 29, 2011 among Bristol-Myers Squibb Company, the several financial institutions from time to time party to the agreement, and JPMorgan Chase Bank, N.A. and Citibank N.A. as administrative agents (incorporated herein by reference to Exhibit 10a to the Form 10-Q for the quarterly period ended June 30, 2014). ‡
- 10g. Extension notice dated June 2, 2014 for the Five Year Competitive Advance and Revolving Credit Facility Agreement dated as of July 30, 2012 among Bristol-Myers Squibb Company, the several financial institutions from time to time party to the agreement, and JPMorgan Chase Bank, N.A. and Citibank N.A. as administrative agents (incorporated herein by reference to Exhibit 10b to the Form 10-Q for the quarterly period ended June 30, 2014). ‡
- 10h. Extension notice dated June 1, 2015, for the Five Year Competitive Advance and Revolving Credit Facility Agreement dated as of September 29, 2011 among Bristol-Myers Squibb Company, and the several financial institutions from time to time party to the agreement, and JPMorgan Chase Bank, N.A. and Citibank N.A. as administrative agents (incorporated herein by reference to Exhibit 10a to the Form 10-Q for the quarterly period ended June 30, 2015). ‡
- 10i. Extension notice dated June 1, 2015, for the Five Year Competitive Advance and Revolving Credit Facility Agreement dated as of July 30, 2012 among Bristol-Myers Squibb Company, the several financial institutions from time to time party to the agreement, and JPMorgan Chase Bank, N.A. and Citibank N.A. as administrative agents (incorporated herein by reference to Exhibit 10b to the Form 10-Q for the quarterly period ended June 30, 2015). ‡
- 10j. Amendment and Waiver dated as of June 21, 2016, to the Five Year Competitive Advance and Revolving Credit Facility Agreement dated as of September 29, 2011 among Bristol-Myers Squibb Company, the several financial institutions from time to time party to the agreement, and JPMorgan Chase Bank, N.A. and Citibank N.A. as administrative agents (incorporated herein by reference to Exhibit 10a to the Form 10-Q for the quarterly period ended June 30, 2016). ‡
- 10k. Amendment dated as of June 21, 2016, to the Five Year Competitive Advance and Revolving Credit Facility Agreement dated as of July 30, 2012 among Bristol-Myers Squibb Company, the several financial institutions from time to time party to the agreement, and JPMorgan Chase Bank, N.A. and Citibank N.A. as administrative agents (incorporated herein by reference to Exhibit 10b to the Form 10-Q for the quarterly period ended June 30, 2016). ‡
- 10l. SEC Consent Order (incorporated herein by reference to Exhibit 10s to the Form 10-Q for the quarterly period ended September 30, 2004). ‡
- 10m. Master Restructuring Agreement between Bristol-Myers Squibb Company and Sanofi dated as of September 27, 2012 (incorporated by reference herein to Exhibit 10a to the Form 10-Q for the quarterly period ended September 30, 2012). † ‡
- 10n. Side Letter to Master Restructuring Agreement between Bristol-Myers Squibb Company and Sanofi dated as of January 1, 2013 (incorporated herein by reference to Exhibit 10p to the Form 10-K for the fiscal year ended December 31, 2012). † ‡
- 10o. Restated Development and Commercialization Collaboration Agreement between Otsuka Pharmaceutical Co., Ltd. and Bristol-Myers Squibb Company dated as of October 23, 2001 (incorporated by reference herein to Exhibit 10.12 to the Form 8-K filed on August 17, 2009). † ‡
- 10p. Amendment No. 3 to the Restated Development and Commercialization Collaboration Agreement between Otsuka Pharmaceutical Co., Ltd. and Bristol-Myers Squibb Company dated as of September 25, 2006 (incorporated by reference herein to Exhibit 10.13 to the Form 8-K filed on August 17, 2009). † ‡
- 10q. Amendment No. 5 to the Restated Development and Commercialization Collaboration Agreement between Otsuka Pharmaceutical Co., Ltd. and Bristol-Myers Squibb Company effective as of April 4, 2009 (incorporated by reference herein to Exhibit 10.14 to the Form 8-K filed on August 17, 2009). † ‡
- 10r. Amendment No. 9 to the Restated Development and Commercialization Collaboration Agreement between Otsuka Pharmaceutical Co., Ltd. and Bristol-Myers Squibb Company effective as of October 29, 2012 (incorporated herein by reference to Exhibit 1ee to the Form 10-K for the fiscal year ended December 31, 2012). † ‡
- 10s. Amended and Restated Co-Development and Co-Promotion Agreement (Apixaban) by and between Bristol-Myers Squibb Company and Pfizer, Inc. dated April 26, 2007 as amended and restated as of August 23, 2007 (incorporated herein by reference to Exhibit 10c to the Form 10-Q for the quarterly period ended June 30, 2016). † ‡
- 10t. Second Amendment to Amended and Restated Co-Development and Co-Promotion Agreement (Apixaban) by and between Bristol-Myers Squibb Company and Pfizer, Inc. dated as of March 15, 2012 (incorporated herein by reference to Exhibit 10d to the Form 10-Q for the quarterly period ended June 30, 2016). † ‡

10u.	Fourth Amendment to Amended and Restated Co-Development and Co-Promotion Agreement (Apixaban) by and between Bristol-Myers Squibb Company and Pfizer, Inc. dated as of May 18, 2015 (incorporated herein by reference to Exhibit 10e to the Form 10-Q for the quarterly period ended June 30, 2016).†	‡
‡‡10v.	Bristol-Myers Squibb Company 2002 Stock Incentive Plan, effective as of May 7, 2002 and as amended effective June 10, 2008 (incorporated herein by reference to Exhibit 10.1 to the Form 10-Q for the quarterly period ended September 30, 2008).	‡
‡‡10w.	Bristol-Myers Squibb Company 2012 Stock Award and Incentive Plan, effective as of May 1, 2012 (incorporated herein by reference to Exhibit B to the 2012 Proxy Statement dated March 20, 2012).	‡
‡‡10x.	Bristol-Myers Squibb Company 2007 Stock Award and Incentive Plan, effective as of May 1, 2007 and as amended effective June 10, 2008 (incorporated herein by reference to Exhibit 10.2 to the Form 10-Q for the quarterly period ended September 30, 2008).	‡
‡‡10y.	Bristol-Myers Squibb Company TeamShare Stock Option Plan, as amended and restated effective September 10, 2002 (incorporated herein by reference to Exhibit 10c to the Form 10-K for the fiscal year ended December 31, 2002).	‡
‡‡10z.	Form of Non-Qualified Stock Option Agreement under the 2002 Stock Award and Incentive Plan (incorporated herein by reference to Exhibit 10s to the Form 10-K for the fiscal year ended December 31, 2005).	‡
‡‡10aa.	Form of Performance Share Units Agreement for the 2013-2015 Performance Cycle under the 2012 Stock Award and Incentive Plan (incorporated by reference to Exhibit 10oo to the Form 10-K for the fiscal year ended December 31, 2012).	‡
‡‡10bb.	Form of 2014-2016 Performance Share Units Agreement under the 2012 Stock Award and Incentive Plan (incorporated by reference to Exhibit 10hh to the Form 10-K for the fiscal year ended December 31, 2013).	‡
‡‡10cc.	Form of 2015-2017 Performance Share Units Agreement under the 2012 Stock Award and Incentive Plan (incorporated by reference to Exhibit 10x to the Form 10-K for the fiscal year ended December 31, 2014).	‡
‡‡10dd.	Form of 2016-2018 Performance Share Units Agreement under the 2012 Stock Award and Incentive Plan (incorporated by reference to Exhibit 10y to the Form 10-K for the fiscal year ended December 31, 2015).	‡
‡‡10ee.	Form of 2017-2019 Performance Share Units Agreement under the 2012 Stock Award and Incentive Plan (filed herewith).	E-10-1
‡‡10ff.	Form of Restricted Stock Units Agreement with five year vesting under the 2012 Stock Award and Incentive Plan (filed herewith).	E-10-2
‡‡10gg.	Form of Restricted Stock Units Agreement with four year vesting under the 2012 Stock Award and Incentive Plan (filed herewith).	E-10-3
‡‡10hh.	Form of Market Share Units Agreement under the 2012 Stock Award and Incentive Plan (filed herewith).	E-10-4
‡‡10ii.	Bristol-Myers Squibb Company Performance Incentive Plan, as amended (as adopted, incorporated herein by reference to Exhibit 2 to the Form 10-K for the fiscal year ended December 31, 1978; as amended as of January 8, 1990, incorporated herein by reference to Exhibit 19b to the Form 10-K for the fiscal year ended December 31, 1990; as amended on April 2, 1991, incorporated herein by reference to Exhibit 19b to the Form 10-K for the fiscal year ended December 31, 1991; as amended effective January 1, 1994, incorporated herein by reference to Exhibit 10d to the Form 10-K for the fiscal year ended December 31, 1993; and as amended effective January 1, 1994, incorporated herein by reference to Exhibit 10d to the Form 10-K for the fiscal year ended December 31, 1994).	‡
‡‡10jj.	Bristol-Myers Squibb Company Executive Performance Incentive Plan effective January 1, 1997 (incorporated herein by reference to Exhibit 10b to the Form 10-K for the fiscal year ended December 31, 1996).	‡
‡‡10kk.	Bristol-Myers Squibb Company Executive Performance Incentive Plan effective January 1, 2003 and as amended effective June 10, 2008 (incorporated herein by reference to Exhibit 10.3 to the Form 10-Q for the quarterly period ended September 30, 2008).	‡
‡‡10ll.	Bristol-Myers Squibb Company 2007 Senior Executive Performance Incentive Plan (as amended and restated effective June 8, 2010 and incorporated herein by reference to Exhibit 10a. to the Form 10-Q for the quarterly period ended June 30, 2010).	‡
‡‡10mm.	Bristol-Myers Squibb Company Benefit Equalization Plan – Retirement Income Plan, as amended and restated effective as of January 1, 2012, (incorporated herein by reference to Exhibit 10ww to the Form 10-K for the fiscal year ended December 31, 2012).	‡

‡‡10nn.	Bristol-Myers Squibb Company Benefit Equalization Plan – Savings and Investment Program, as amended and restated effective as of January 1, 2012 (incorporated herein by reference to Exhibit 10xx to the Form 10-K for the fiscal year ended December 31, 2012).	‡
‡‡10oo.	Squibb Corporation Supplementary Pension Plan, as amended (as previously amended and restated, incorporated herein by reference to Exhibit 19g to the Form 10-K for the fiscal year ended December 31, 1991; as amended as of September 14, 1993, and incorporated herein by reference to Exhibit 10g to the Form 10-K for the fiscal year ended December 31, 1993).	‡
‡‡10pp.	Senior Executive Severance Plan, effective as of April 26, 2007 and as amended effective February 16, 2012 (incorporated by reference to Exhibit 10ll to the Form 10-K for the fiscal year ended December 31, 2011).	‡
‡‡10qq.	Form of Agreement entered into between the Registrant and each of the named executive officers and certain other executives effective January 1, 2016 (incorporated by reference to Exhibit 10kk to the Form 10-K for the fiscal year ended December 31, 2015).	‡
‡‡10rr.	Bristol-Myers Squibb Company Retirement Income Plan for Non-Employee Directors, as amended March 5, 1996 (incorporated herein by reference to Exhibit 10k to the Form 10-K for the fiscal year ended December 31, 1996).	‡
‡‡10ss.	Bristol-Myers Squibb Company 1987 Deferred Compensation Plan for Non-Employee Directors, as amended and restated January 20, 2015 (incorporated herein by reference to Exhibit 10mm to the Form 10-K for the fiscal year ended December 31, 2014).	‡
‡‡10tt.	Bristol-Myers Squibb Company Non-Employee Directors' Stock Option Plan, as amended (as approved by the Stockholders on May 1, 1990, incorporated herein by reference to Exhibit 28 to Registration Statement No. 33-38587 on Form S-8; as amended May 7, 1991, incorporated herein by reference to Exhibit 19c to the Form 10-K for the fiscal year ended December 31, 1991), as amended January 12, 1999 (incorporated herein by reference to Exhibit 10m to the Form 10-K for the fiscal year ended December 31, 1998).	‡
‡‡10uu.	Bristol-Myers Squibb Company Non-Employee Directors' Stock Option Plan, as amended (as approved by the Stockholders on May 2, 2000, incorporated herein by reference to Exhibit A to the 2000 Proxy Statement dated March 20, 2000).	‡
‡‡10vv.	Squibb Corporation Deferral Plan for Fees of Outside Directors, as amended (as adopted, incorporated herein by reference to Exhibit 10e Squibb Corporation 1991 Form 10-K for the fiscal year ended December 31, 1987, File No. 1-5514; as amended effective December 31, 1991 incorporated herein by reference to Exhibit 10m to the Form 10-K for the fiscal year ended December 31, 1992).	‡
12	Statement re computation of ratios (filed herewith).	E-12-1
21	Subsidiaries of the Registrant (filed herewith).	E-21-1
23	Consent of Deloitte & Touche LLP (filed herewith).	E-23-1
31a.	Section 302 Certification Letter (filed herewith).	E-31-1
31b.	Section 302 Certification Letter (filed herewith).	E-31-1
32a.	Section 906 Certification Letter (filed herewith).	E-32-1
32b.	Section 906 Certification Letter (filed herewith).	E-32-2
101.	The following financial statements from the Bristol-Myers Squibb Company Annual Report on Form 10-K for the years ended December 31, 2016, 2015 and 2014, formatted in Extensible Business Reporting Language (XBRL): (i) consolidated statements of earnings, (ii) consolidated statements of comprehensive income, (iii) consolidated balance sheets, (iv) consolidated statements of cash flows, and (v) the notes to the consolidated financial statements.	

† Confidential treatment has been granted for certain portions which are omitted in the copy of the exhibit electronically filed with the Commission.

\* Indicates, in this Form 10-K, brand names of products, which are registered trademarks not solely owned by the Company or its subsidiaries. *Abilify* is a trademark of Otsuka Pharmaceutical Co., Ltd.; *Adcetris* is a trademark of Seattle Genetics, Inc.; *Atripila* 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 *Symmlin* are trademarks of Amylin Pharmaceuticals, LLC; *Erbix* 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 and *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 BMS and/or one of its subsidiaries.

## Computation of Earnings to Fixed Charges

Ratio of Earnings to Fixed Charges:	Year Ended December 31,				
	2016	2015	2014	2013	2012
Dollars in Millions					
<b>Earnings</b>					
Earnings from continuing operations before income taxes	\$ 5,915	\$ 2,077	\$ 2,381	\$ 2,891	\$ 2,340
Less:					
Noncontrolling interest in pre-tax income of subsidiaries that have not incurred fixed charges	16	51	38	36	844
Equity in net income of affiliates	77	83	107	166	183
Capitalized interest	10	2	3	—	—
Adjusted Income	5,812	1,941	2,233	2,689	1,313
Add:					
Fixed charges	226	231	254	255	227
Distributed income of equity investments	99	105	153	149	229
<b>Total Earnings</b>	<b>\$ 6,137</b>	<b>\$ 2,277</b>	<b>\$ 2,640</b>	<b>\$ 3,093</b>	<b>\$ 1,769</b>
<b>Fixed Charges</b>					
Interest expense	\$ 167	\$ 184	\$ 203	\$ 199	\$ 182
Capitalized interest	10	2	3	—	—
One-third of rental expense <sup>(1)</sup>	49	45	48	56	45
<b>Total Fixed Charges</b>	<b>\$ 226</b>	<b>\$ 231</b>	<b>\$ 254</b>	<b>\$ 255</b>	<b>\$ 227</b>
<b>Ratio of Earnings to Fixed Charges</b>	27.15	9.86	10.39	12.13	7.79

(1) Rents included in the computation consist of one-third of rental expense which the Company believes to be a reasonable estimate of an interest factor in its leases.

Subsidiaries of Bristol-Myers Squibb Company

345 Park LLC  
A.G. Medical Services, P.A.  
Adnexus, a Bristol-Myers Squibb R&D Company  
Allard Labs Acquisition G.P.  
Amira Pharmaceuticals, Inc.  
Apothecon LLC  
Blisa Acquisition G.P.  
BMS Benelux Holdings B.V.  
BMS Bermuda Nominees L.L.C.  
BMS Data Acquisition Company LLC  
BMS Forex Company  
B-MS Generx Unlimited Company  
BMS Holdings Sarl  
BMS Holdings Spain, S.L.  
BMS International Insurance Designated Activity Company  
BMS Investco SAS  
BMS Korea Holdings L.L.C.  
BMS Latin American Nominees L.L.C.  
BMS Luxembourg Partners L.L.C.  
BMS Omega Bermuda Holdings Finance Ltd.  
BMS Pharmaceutical Korea Limited  
BMS Pharmaceuticals Germany Holdings B.V.  
BMS Pharmaceuticals International Holdings Netherlands B.V.  
BMS Pharmaceuticals Korea Holdings B.V.  
BMS Pharmaceuticals Mexico Holdings B.V.  
BMS Pharmaceuticals Netherlands Holdings B.V.  
BMS Real Estate LLC  
BMS Spain Investments LLC  
Bristol (Iran) S.A.  
Bristol Iran Private Company Limited  
Bristol Laboratories Inc.  
Bristol Laboratories International, S.A.  
Bristol Laboratories Medical Information Systems Inc.  
Bristol-Myers (Andes) L.L.C.  
Bristol-Myers (Private) Limited  
Bristol-Myers de Venezuela S.C.A.  
Bristol-Myers Middle East S.A.L.  
Bristol-Myers Overseas Corporation  
Bristol-Myers Squibb (China) Investment Co., Ltd.  
Bristol-Myers Squibb (China) Pharmaceuticals Co., Ltd.  
Bristol-Myers Squibb (Israel) Ltd.  
Bristol-Myers Squibb (NZ) Limited  
Bristol-Myers Squibb (Proprietary) Limited  
Bristol-Myers Squibb (Shanghai) Trading Co. Ltd.  
Bristol-Myers Squibb (Singapore) Pte. Limited  
Bristol-Myers Squibb (Taiwan) Ltd.  
Bristol-Myers Squibb (West Indies) Ltd.  
Bristol-Myers Squibb A.E.  
Bristol-Myers Squibb Aktiebolag  
Bristol-Myers Squibb Argentina S. R. L.  
Bristol-Myers Squibb Australia Pty. Ltd.  
Bristol-Myers Squibb Axia Limited  
Bristol-Myers Squibb B.V.  
Bristol-Myers Squibb Belgium S.A.  
Bristol-Myers Squibb Business Services Limited



Bristol-Myers Squibb Canada Co.  
Bristol-Myers Squibb Canada International Limited  
Bristol-Myers Squibb de Colombia S.A.  
Bristol-Myers Squibb de Costa Rica Sociedad Anonima  
Bristol-Myers Squibb de Guatemala, S.A.  
Bristol-Myers Squibb de Mexico, S. de R.L. de C.V.  
Bristol-Myers Squibb Delta Company Limited  
Bristol-Myers Squibb Denmark Filial of Bristol-Myers Squibb AB  
Bristol-Myers Squibb Egypt, LLC  
Bristol-Myers Squibb EMEA Sarl  
Bristol-Myers Squibb Epsilon Holdings Unlimited Company  
Bristol-Myers Squibb Farmaceutica Ltda.  
Bristol-Myers Squibb Farmaceutica Portuguesa S.A.  
Bristol-Myers Squibb GesmbH  
Bristol-Myers Squibb GmbH & Co. KGaA  
Bristol-Myers Squibb Holding Germany GmbH & Co. KG  
Bristol-Myers Squibb Holdings 2002 Limited  
Bristol-Myers Squibb Holdings Germany Verwaltungs GmbH  
Bristol-Myers Squibb Holdings Ireland  
Bristol-Myers Squibb Holdings Limited  
Bristol-Myers Squibb Holdings Pharma Ltd. Liability Company  
Bristol-Myers Squibb Ilaclari, Inc.  
Bristol-Myers Squibb India Pvt. Limited  
Bristol-Myers Squibb International Company Unlimited Company  
Bristol-Myers Squibb International Corporation  
Bristol-Myers Squibb Investco, L.L.C.  
Bristol-Myers Squibb K.K.  
Bristol-Myers Squibb Luxembourg International S.C.A.  
Bristol-Myers Squibb Luxembourg S.a.r.l.  
Bristol-Myers Squibb Manufacturing Company  
Bristol-Myers Squibb Marketing Services S.R.L.  
Bristol-Myers Squibb MEA GmbH  
Bristol-Myers Squibb Middle East & Africa FZ-LLC  
Bristol-Myers Squibb Norway Ltd.  
Bristol-Myers Squibb Nutricionales de Mexico, S. de R.L. de C.V.  
Bristol-Myers Squibb Peru S.A.  
Bristol-Myers Squibb Pharma (HK) Ltd  
Bristol-Myers Squibb Pharma (Thailand) Limited  
Bristol-Myers Squibb Pharma Company  
Bristol-Myers Squibb Pharma EEIG  
Bristol-Myers Squibb Pharma Holding Company, LLC  
Bristol-Myers Squibb Pharma Ventures Corporation  
Bristol-Myers Squibb Pharmaceutical Trading Ltd.  
Bristol-Myers Squibb Pharmaceuticals  
Bristol-Myers Squibb Pharmaceuticals Limited  
Bristol-Myers Squibb Polska Sp. z o.o.  
Bristol-Myers Squibb Products SA  
Bristol-Myers Squibb Puerto Rico, Inc.  
Bristol-Myers Squibb Puerto Rico/Sanofi Pharmaceutical Partnership Puerto Rico  
Bristol-Myers Squibb S.r.l.  
Bristol-Myers Squibb SA  
Bristol-Myers Squibb Sanofi Pharmaceuticals Holding Partnership  
Bristol-Myers Squibb Sarl  
Bristol-Myers Squibb Service Ltd.  
Bristol-Myers Squibb Services Sp. z o.o.  
Bristol-Myers Squibb spol. s r.o.  
Bristol-Myers Squibb Trustees Limited  
Bristol-Myers Squibb Verwaltungs GmbH  
Bristol-Myers Squibb, S.A.U.

Bristol-Myers Squibb/Astrazeneca EEIG  
Bristol-Myers Squibb/Pfizer EEIG  
Bristol-Myers Squibb/Sanofi Pharmaceuticals Partnership  
Cardioxyl Pharmaceuticals, Inc.  
Compania Bristol-Myers Squibb de Centro America  
Cormorant Pharmaceuticals AB  
E. R. Squibb & Sons Inter-American Corporation  
E. R. Squibb & Sons Limited  
E. R. Squibb & Sons, L.L.C.  
EWI Corporation  
FermaVir Pharmaceuticals, L.L.C.  
FermaVir Research, L.L.C.  
Flexus Biosciences, Inc.  
GenPharm International, L.L.C.  
Grove Insurance Company Ltd.  
Heyden Farmaceutica Portuguesa Limitada  
Inhibitex, L.L.C.  
iPierian, Inc.  
Kosan Biosciences Incorporated  
Linson Investments Limited  
Mead Johnson (Manufacturing) Jamaica Limited  
Mead Johnson Jamaica Ltd.  
O.o.o. Bristol-Myers Squibb  
O.o.o. Bristol-Myers Squibb Manufacturing  
Oy Bristol-Myers Squibb (Finland) AB  
Padlock Therapeutics, Inc.  
Princeton Pharmaceutical Products, Inc.  
Route 22 Real Estate Holding Corporation  
Sino-American Shanghai Squibb Pharmaceuticals Limited  
Societe Francaise de Complements Alimentaires(S.O.F.C.A.)  
Squibb Middle East S.A.  
Swords Laboratories  
Unterstützungskasse Bristol-Myers Squibb GmbH  
UPSA SAS  
Westwood-Intrafin SA  
Westwood-Squibb Pharmaceuticals, Inc.  
ZymoGenetics Paymaster, LLC  
ZymoGenetics, Inc.  
ZymoGenetics, LLC

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration No. 33-33682, 33-62496, 033-61147, 333-49227, 333-114107, 333-117818, 333-150471, 333-182852, and 333-206991 on Form S-3 and Nos. 33-30856, 33-38411, 33-38587, 33-44788, 333-47403, 33-52691, 33-30756-02, 33-58187, 333-02873, 333-65424, 333-107414, 333-144893 and 333-182405 on Form S-8 of our reports dated February 21, 2017, relating to the consolidated financial statements of Bristol-Myers Squibb Company and subsidiaries (the “Company”) and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2016.

*/s/ DELOITTE & TOUCHE LLP*

Parsippany, New Jersey  
February 21, 2017

**CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Giovanni Caforio, certify that:

1. I have reviewed this annual report on Form 10-K of Bristol-Myers Squibb Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
- b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

- a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2017

/s/ GIOVANNI CAFORIO

Giovanni Caforio  
Chief Executive Officer

**CERTIFICATION BY THE CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Charles Bancroft, certify that:

1. I have reviewed this annual report on Form 10-K of Bristol-Myers Squibb Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
- b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

- a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2017

/s/ CHARLES BANCROFT

Charles Bancroft

Chief Financial Officer

**Certification by the Chief Executive Officer Pursuant to 18 U. S. C. Section 1350, as  
Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U. S. C. Section 1350, I, Giovanni Caforio, hereby certify that, to the best of my knowledge, Bristol-Myers Squibb Company's Annual Report on Form 10-K for the year ended December 31, 2016 (the Report), as filed with the Securities and Exchange Commission on February 21, 2017, fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Bristol-Myers Squibb Company.

/s/ GIOVANNI CAFORIO

Giovanni Caforio

Chief Executive Officer

February 21, 2017

**Certification by the Chief Financial Officer Pursuant to 18 U. S. C. Section 1350, as  
Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U. S. C. Section 1350, I, Charles Bancroft, hereby certify that, to the best of my knowledge, Bristol-Myers Squibb Company's Annual Report on Form 10-K for the year ended December 31, 2016 (the Report), as filed with the Securities and Exchange Commission on February 21, 2017, fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Bristol-Myers Squibb Company.

/s/ CHARLES BANCROFT

Charles Bancroft

Chief Financial Officer

February 21, 2017