2017 | Annual Report

Bristol-Myers Squibb

Bristol-Myers Squibb

On the cover: Mitra Ghandeharizadeh. See Mitra's story on page 5.

The patient stories shared in this Annual Report depict individual patient responses to our medicines or investigational compounds and are not representative of all patient responses. In addition, there is no guarantee that potential drugs or indications still in development will receive regulatory approval.

"SEEING MY DAUGHTER'S COURAGE EVERY DAY FILLS ME WITH **DETERMINATION** TO DEVELOP EFFECTIVE TREATMENTS FOR OUR PATIENTS."

– Faranak Nikfar, Ph.D.

BRISTOL-MYERS SQUIBB RESEARCH FELLOW DEVELOPING DRUG PRODUCTS FOR TREATMENT OF AUTOIMMUNE DISORDERS AND ONCOLOGY—AND MOTHER OF MITRA GHANDEHARIZADEH (FRONT COVER). READ THEIR STORY ON PAGE 5.

To Our Shareholders

For us, it's all about our patients.

Our mission is focused on patients. Our science is driven by patients. *What* we do. *How* we do it. Everything about Bristol-Myers Squibb is centered on our patients and their families.

In 2017, that focus led to strong performance across the company. It also led us to further evolve our operating model, making us a more focused company that is able to deliver faster and better for our patients.

SERVING OUR PATIENTS

Throughout 2017, we drove superior commercial execution, ending the year with $20.8 billion in revenues – a 7 percent increase over 2016. Our business focused on areas of unmet need where we are making a big difference.

The treatment of cancer remains a critical focus of our work. Our immuno-oncology portfolio has played a key role, establishing *Opdivo* as a foundational therapy with significant potential to grow even further. Now approved in nine tumor types and 15 indications,* *Opdivo* sales grew by 31 percent, ending the year with $4.9 billion in global sales. Further, this immuno-oncology medicine remains a leading treatment in second-line non-small cell lung cancer and in second-line renal cancer. Alone

GLOBAL SALES

*Figures include, among others, recent indications approved for *Opdivo* in the U.S. for adjuvant melanoma, metastatic colorectal cancer, and second-line liver and bladder cancers; in Japan for second-line head & neck cancer and gastric cancer; and in Europe for second-line bladder and head & neck cancer.

and combined with *Yervoy*, *Opdivo* is the leading medicine for first-line melanoma in the U.S.

Our novel oral anticoagulant, *Eliquis,* also delivered $4.9 billion in sales, representing a 46 percent increase over its 2016 revenues, as it continued to become established as the standard of care for patients with atrial fibrillation (AF) and venous thromboembolism (VTE)-related thrombosis. In fact, *Eliquis* became the No. 1 prescribed next-generation anticoagulant in the U.S. and in several other countries around the world. And in some markets, *Eliquis* has even begun to surpass warfarin, as physicians gain experience with *Eliquis* and the value it brings to patients with AF and VTE.

Continued growth in other key brands, namely *Orencia* and *Sprycel*, also contributed to strong performance in 2017.

Throughout 2017, we also made great progress in our pipeline, driven by the need to reach more patients with more treatments.

With respect to immuno-oncology, our increasingly broad program advanced on many fronts, underscoring the importance of our innovation-based strategy and our growing capabilities in translational medicine.

Early in 2018, we announced that our first-line lung cancer study (CheckMate–227) demonstrated that the combination of *Opdivo* and *Yervoy* delivered superior progression-free survival vs. chemotherapy in patients with high tumor mutation burden, an emerging biomarker that we have been advancing through our clinical research.

This is the third tumor type to show benefit from this combination therapy and an important validation of our efforts to deliver the right treatment to the right patient at the right time, making progress against the promise of personalized medicine.

Additionally, two Phase 3 *Opdivo* studies were stopped early for demonstrating superior efficacy vs. the previous standard of care, and four new indications for *Opdivo* were added in the U.S. alone last year – bladder cancer, colorectal cancer (MSI-H), hepatocellular carcinoma and adjuvant melanoma.

The progress of our next-wave oncology assets underscored the continued opportunity we have to harness the immune system and discover ways to extend the benefits of immuno-oncology to more patients. This includes our program for IDO, which has been investigating this important target in the tumor microenvironment and its role in treating several tumors, as well as our LAG-3 program, which is expanding to include more tumors and more patient types.

Beyond oncology, we advanced important assets in our pipeline. In fibrosis, for example, we saw progress with FGF21 for the potential treatment of non-alcoholic steatohepatitis (NASH) and we will be advancing that medicine further this year. From our immunoscience pipeline, we provided an update on TYK2 in psoriasis, stating that we have achieved proof of concept that allows us to move to the next stage of development in 2018.

The continued evolution of our operating model is enabling us to focus our resources on the most critical priorities in delivering new medicines to patients in need. We continued to increase our R&D investment, investing $4.8 billion* in R&D in 2017, a 9 percent increase over 2016.

We also prioritized business development, understanding that innovation must be sourced internally and externally to support our mission of delivering transformational medicines to patients. PAGE 4 ▶

2017

DELIVERING by the **NUMBERS**

$20.8
BILLION
in revenue

7%
GROWTH
VS. 2016

Opdivo
$4.9 BILLION

Eliquis
$4.9 BILLION

Orencia
$2.5 BILLION

Sprycel
$2.0 BILLION

Yervoy
$1.2 BILLION

*This non-GAAP amount excludes significant upfront and milestone payments for business development transactions and other specified R&D items. A reconciliation of GAAP to non-GAAP measures can be found on our website at www.bms.com.

To that end, throughout the year, we executed more than 45 business development agreements – including a new partnership with Halozyme as well as the acquisition of IFM Therapeutics and in February of this year, a global partnership with Nektar Therapeutics – all of which added innovative immuno-oncology agents or delivery systems to our pipeline.

We maintained a disciplined approach to capital allocation, reflecting our commitment to delivering value to our shareholders. In addition to a productive year for business development, we repurchased $2.5 billion of our company's common stock, and, for the ninth consecutive year, we increased our dividend.

We recently appointed two new Board Members – Karen Vousden, Ph.D., Senior Group Leader at the Francis Crick Institute in London and Chief Scientist of Cancer Research UK, and José Baselga, M.D., Ph.D., Physician-in-Chief and Chief Medical Officer at Memorial Sloan Kettering Cancer Center. We are excited to have these two accomplished scientific leaders with deep experience in clinical research on our Board and look forward to their contributions to advancing our strategy and pipeline of transformational medicines.

SUPPORTING OUR COMMUNITIES

Throughout 2017, we continued our work in underserved communities throughout the world – building capacity and working to provide better health outcomes – and in the U.S., through Bristol-Myers Squibb's patient support programs, we continued to provide assistance to patients who sought access to our innovative medicines.

The Bristol-Myers Squibb Foundation advanced its focus on addressing health disparities through important programs around the world. This included multi-country programs in Africa for cervical and lung cancer, with the initiation of the most comprehensive training and treatment initiatives on the continent focused on pediatric cancers and blood disorders. It included extensive programs in the U.S. for lung cancer, for removing barriers and for increasing access to specialized care for vulnerable populations and supporting the reintegration of our returning veterans and their families. And it included a range of other important initiatives around the globe – from hepatitis awareness, prevention and care in China and India to oncology nursing in Central and Eastern Europe.

Following a series of natural disasters in the Western Hemisphere, Bristol-Myers Squibb and the Bristol-Myers Squibb Foundation worked to provide relief to those affected by the widespread destruction and tragic loss of life. This was particularly true in Puerto Rico, where multiple company sites and more than 1,000 colleagues were directly impacted by Hurricane Maria. Collaborating across many parts of our company and in conjunction with the Foundation, we worked around the clock in the days following the storm and consistently and diligently in the months since to support our employees, bring our business back on line, and help many others affected by the storm. All told, the Foundation provided more than $2 million in cash and the company donated more than $10 million in much needed products in disaster relief in 2017.

And, once again, our corporate citizenship extended to the United Nations Global Compact and a series of "Go Green" sustainability initiatives throughout our company. We also received a host of important recognitions, including for the third consecutive year the U.S. Department of Environmental Protection's "Energy Star Partner of the Year" award. PAGE 6 ▶

R&D: DELIVERING
Innovative Medicines
TO PATIENTS

$4.8*
BILLION
INVESTED
IN R&D

17
NEW **I-O COMPOUNDS**
in clinical development

TRIALS IN
>50
tumor types

>45
BUSINESS DEVELOPMENT AGREEMENTS

9
CONSECUTIVE YEARS OF INCREASED DIVIDEND

*This non-GAAP amount excludes significant upfront and milestone payments for business development transactions and other specified R&D items. A reconciliation of GAAP to non-GAAP measures can be found on our website at www.bms.com.

MITRA GHANDEHARIZADEH

"I GREW UP A LITTLE BRISTOL-MYERS SQUIBB BABY. I'M NOT JUST MY MOM'S KID, I'M HER TEAM'S KID."

MY MOM, MY ADVOCATE

Mitra Ghandeharizadeh is a 23-year-old school counselor in Annapolis, Maryland and proud graduate of Johns Hopkins University with a master's degree in school counseling. Counseling grade-school students is rewarding but demanding.

The passion that Mitra brings to her work makes it nearly impossible for her students to know that most days she is crippled by overwhelming fatigue and symptoms that, at times, seem unmanageable. She often finds herself asking a question that has yet to be answered: "What is happening within my body?"

Bristol-Myers Squibb research fellow–and mother of Mitra Ghandeharizadeh–**Faranak Nikfar, Ph.D.** (second from left on sofa) with some other members of the team working on treatments for autoimmune disorders like Mitra's.

For the past two years, Mitra herself has had quite an experience beyond school walls. In March 2016, she says, "I became really sick." She experienced headaches so blinding she couldn't open her eyes. Her kidneys hurt. Doctors said she had a pelvic infection and put her on antibiotics. The pain didn't go away.

Mitra was sent to a rheumatologist whose tests indicated Sjögren's syndrome, an autoimmune disease that targets moisture-producing glands of the body, resulting in dry mouth, dry eyes, and chronic cough. After further testing, Mitra was also diagnosed with lupus, an autoimmune disease that affects tissues such as the skin, joints, and organs.

"I had a rash all over my face, my neck, and it was a typical lupus butterfly rash," Mitra says. "I also had lots of pains in my sides and kidneys."

Mitra went from being a full-time grad student to a patient. As luck would have it, Johns Hopkins has one of the premiere research centers for rheumatology, the Jerome L. Green Sjögren's Syndrome Center.

Johns Hopkins wasn't the only connection Mitra had to her illness. Mitra's mother, Faranak Nikfar, has worked for Bristol-Myers Squibb for more than 25 years and has spent much of that time working on discovering and developing investigational treatments for rheumatoid arthritis, Sjögren's syndrome, and lupus.

"Every day I come to work and I'm working for my daughter," says Faranak. "It gives me a renewed sense of purpose. It gives my fellow researchers a sense of purpose."

Mitra spent much of her childhood growing up around the company, visiting the office and getting to know her mom's colleagues.

"I grew up a little Bristol-Myers Squibb baby," says Mitra. "I'm not just my mom's kid, I'm her team's kid."

Though there are limited options to treat Mitra's disease, she's thankful for the work that her mom and Bristol-Myers Squibb are doing for patients.

"My mom is my biggest advocate," Mitra says. "The investment in me, from both her and Bristol-Myers Squibb, goes far beyond anything I could ever have imagined."

STRENGTHENING OUR CULTURE

Throughout 2017, we placed a high priority on developing a highly-engaged and diverse workforce, because our people – the 24,000 colleagues worldwide who call Bristol-Myers Squibb "home" – are our greatest competitive advantage. They drive our growth. They serve our patients. Without their incredible hard work, passion, and integrity, none of our success would be possible.

To this end, in 2017, we maintained a constant focus on patients, primarily through our "Who Are You Working For?" initiative. Patients and their families visited our sites. They shared their stories. And many of them participated in our third annual "Global Patient Week" celebration, which occurred last fall with more than 80 employee events around the world. With the theme "Because There is More to Do," the occasion provided a unique opportunity for our employees to interact with patients and to see firsthand the impact of the work they do each and every day, underscoring the need to keep moving forward.

Alongside this patient-focus, we maintained our energizing, engaging and inclusive culture through the continued development of our talented professionals. In 2017, this involved an increased emphasis on managers' capabilities in developing their people, and building an even more diverse and inclusive workforce – a critically important driver of employee engagement, collaboration, and overall business performance. The importance of Diversity & Inclusion in our company is clear in the growing membership in our People and Business Resource Groups (PBRG) which serve as powerful business platforms organized around different dimensions of diversity within our company. Our PBRGs collectively have 9,650 members spanning 45 countries.

Our employees value the importance of giving back, and in 2017, we launched an innovative program that encourages Bristol-Myers Squibb colleagues to volunteer outside the company to share their professional skills with non-profit organizations. Through this skills-based volunteer initiative, colleagues contribute their time and expertise to organizations of their choosing – something that benefits everyone involved.

And embedded throughout our culture is a deep commitment to integrity and uncompromising ethics. These values are central to our mission and our focus on working for patients. I am proud that all of our employees operate with a collective understanding that strong business results depend on ethical behavior and integrity. It is how we work at Bristol-Myers Squibb.

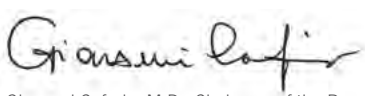
SETTING OUR SIGHTS

Looking forward, we are excited about our future.

Much of the work we did in 2017 has positioned us well for continued growth. Our financials are solid. Our portfolio and pipeline are increasingly robust and diversified. And our work to evolve our operating model has transformed our company in ways that are helping us to work smarter, faster and better.

Taken together, we are ready for the road ahead. Ready to grow our company. Ready to provide patients with even more treatment options and even more hope.

Again, that's what we're all about.



Giovanni Caforio, M.D., Chairman of the Board and Chief Executive Officer
March 9, 2018

Respect, Integrity & Quality – It's How We Work

RECOGNITION

We take great pride in *what* we do and *how* we do it, and we are grateful for the recognition we have received, including:

ENERGY STAR AWARD 2017
PARTNER OF THE YEAR

WORKING MOTHER 100 BEST COMPANIES 2017

NEW GOOD NEIGHBOR 2017 AWARD WINNER NJBIA

WORLD'S MOST ADMIRED COMPANIES 2018

CEO CANCER GOLD STANDARD

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

HBA Healthcare Businesswomen's Association

BEST PLACES TO WORK 2017 for LGBT Equality 100% CORPORATE EQUALITY INDEX

MILITARY FRIENDLY EMPLOYER MF'18 AWARD

SANDY SARGENT

"I FIGHT SO THAT CANCER DOESN'T DEFINE ME," SAYS SANDY. "I DON'T WANT TO BE KNOWN AS A CANCER VICTIM, BUT CANCER SURVIVOR IS A DIFFERENT STORY."

BUILT TO FIGHT

Although just four feet ten inches, Sandy Sargent makes up with heart what she lacks in height. As the primary caregiver of her family – which includes her husband, who has Alzheimer's, and her daughter and son, who both battled cancer - Sandy had always been the rock in the household.

Climbing Mt. Fuji was just one in a series of adventures for Sandy that also included sky diving and river rafting.

When Sandy was diagnosed with stage IV lung cancer with tumors that had spread to her lymph nodes and brain, she was the one in need of support. Her doctor told her that she had six to nine months to live. Yet she handled the diagnosis and fight of her life with her usual fortitude.

"When I was diagnosed with cancer, I didn't cry, I didn't scream, I said okay give me a plan," Sandy says.

Initially, her oncologist started Sandy on radiation every day and chemotherapy once a week, though the regimen caused some damage to her brain tissue.

Despite the toll radiation and chemotherapy took on her body, Sandy never complained.

Every morning she would remind herself: "Attitude is a choice. You're still here. One foot in front of the other."

In 2015, Sandy discovered that a new immunotherapy had just been approved. After speaking with her oncologist, Sandy was treated with *Opdivo* and has been undergoing treatments bi-monthly ever since.

"I visualize that *Opdivo* is like one of those comic book heroes, standing at the door to my brain knocking the cancer cells out," says Sandy.

Three years later, Sandy's medical tests do not reveal any tumors. Despite a bit of swelling around her brain, Sandy no longer has fevers or seizures.

"I fight so that cancer doesn't define me," says Sandy. "I don't want to be known as a cancer victim, but cancer survivor is a different story."

Sandy keeps adding to her bucket list and continuously checks off new adventures that she's been able to experience. Since her cancer diagnosis and treatment, she's gone skydiving and went river rafting to see bald eagles.

"God gave me a long list of things to stay alive for," Sandy says. "I like to say I have my own trinity: my god, my prayer and my *Opdivo*."

BRISTOL-MYERS SQUIBB **Development Pipeline**

ONCOLOGY

PHASE I

IDO Inhibitor^
–Solid Tumors

CD80/αCD3 Oncolytic Virus^
–Solid Tumors

Anti-CTLA-4 Probody^
–Solid Tumors

EP4 Antagonist^
–Solid Tumors

Anti-ICOS^
–Solid Tumors

CCR2/5 Dual Antagonist^
–Solid Tumors

Anti-CTLA-4 NF^
–Solid Tumors

Anti-TIGIT^
–Solid Tumors

Anti-CD73^
–Solid Tumors

HuMax-IL8
–Solid Tumors

Anti-OX40^
–Solid Tumors

Cabiralizumab (Anti-CSF1R)✦^
–Solid Tumors

BET Inhibitor
–Solid Tumors

Ulocuplumab (Anti-CXCR4)
–Hematologic Malignancies

Anti-GITR^
–Solid Tumors

Relatlimab✦^
–Solid Tumors & Hematologic Malignancies

Lirilumab✦^
–Solid Tumors

Lirilumab✦ + *Empliciti*✦
–Multiple Myeloma

Urelumab + *Empliciti*✦
–Multiple Myeloma

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

***Opdivo*✦ + *Yervoy*✦**
–Solid Tumors

PHASE II

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

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

–Ovarian✦#

–CNS Lymphoma

–Pediatric

Relatlimab + *Opdivo*✦
–Solid Tumors

Lirilumab✦
–Hematologic Malignancies

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

Empliciti
–1st line Multiple Myeloma Pomalidomide Combo

IDO Inhibitor + *Opdivo*✦
–Solid Tumors

PHASE III

IDO Inhibitor + *Opdivo*✦
–Metastatic Melanoma

PROSTVAC✦ ++
–Metastatic Castration - Resistant Prostate Cancer

***Opdivo*✦**
–2nd line Small Cell Lung Cancer

–Unresectable Non-Small Cell Lung Cancer

–1st line Head & Neck

–1st line Glioblastoma

–1st line Hepatocellular Carcinoma

–Adjuvant Bladder

–2nd line Esophageal

–Adjuvant Esophageal/ Gastroesophageal

–Neoadjuvant Non-Small Cell Lung Cancer

–1st line Head & Neck Locally Advanced

–Refractory Hodgkin Lymphoma

–Adjuvant Renal Cell Carcinoma

–Adjuvant Gastric

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

–1st line Small Cell Lung Cancer

–1st line Renal Cell Carcinoma

–1st line Head & Neck

–1st line Gastric

–1st line Esophageal

–1st line Mesothelioma

–Adjuvant Melanoma

–Non-Small Cell Lung Cancer EGFR Mutant

–Adjuvant Renal Cell Carcinoma

–1st line Bladder

–Metastatic Renal Cell Carcinoma (with cabozantinib)

***Opdivo*✦ + *Empliciti*✦**
–Multiple Myeloma

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

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

APPROVED INDICATIONS

***Opdivo*✦**
–Previously treated Metastatic Melanoma

–1st line BRAF wild-type Metastatic Melanoma

–Melanoma across BRAF status

–Previously treated Metastatic Squamous Non-Small Cell Lung Cancer

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

–Previously treated advanced Renal Cell Carcinoma

–Advanced Hodgkin Lymphoma

–Previously treated Metastatic Head & Neck Cancer

–Previously treated Metastatic Urothelial Carcinoma

–Previously treated Metastatic MSI High Colorectal Cancer

–Previously treated Hepatocellular Carcinoma

–Previously treated Gastric Cancer

–Adjuvant Melanoma

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

–Melanoma across BRAF status

***Yervoy*✦**
–Metastatic Melanoma

–Adjuvant Melanoma

–Adolescent Metastatic Melanoma

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

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

–Refractory Chronic Myelogenous Leukemia

–Pediatric

BRISTOL-MYERS SQUIBB **Development Pipeline**

IMMUNOSCIENCE

PHASE I	PHASE II	PHASE III	APPROVED INDICATIONS
RORγT –Autoimmune Diseases	**TYK2 Inhibitor (1)** –Psoriasis	***Orencia*** –Idiopathic Inflammatory Myopathy	***Orencia*** –Rheumatoid Arthritis Intravenous
S1P1 Agonist –Autoimmune Diseases	**BTK Inhibitor** –Rheumatoid Arthritis	–Sjögren's Syndrome	–Rheumatoid Arthritis Subcutaneous
BTK Max –Rheumatoid Arthritis		***Nulojix*** –Switch from CNI Renal Transplant	–Rheumatoid Arthritis Auto Injector
TYK2 Inhibitor (2) –Autoimmune Diseases			–Juvenile Idiopathic Arthritis Intravenous
			–Juvenile Idiopathic Arthritis Subcutaneous
			–Early Rheumatoid Arthritis
			–Psoriatic Arthritis
			Nulojix –De Novo Renal Transplant

CARDIOVASCULAR

PHASE I	PHASE II	PHASE III	APPROVED INDICATIONS
FPR-2 Agonist –Heart Failure	**Nitroxyl Donor** –Heart Failure	***Eliquis***✦ –Pediatric VTE Prevention	***Eliquis***✦ –VTE Prevention, Orthopedic Surgery
APJ Agonist –Heart Failure	**Factor XIa Inhibitor** –Thrombosis		–Stroke Prevention in Atrial Fibrillation
	Eliquis✦ –Pediatric Heart Disease		–VTE Treatment

FIBROTIC DISEASES

PHASE I	PHASE II
HSP47✦ –Fibrosis	**LPA1 Antagonist** –Fibrosis
	PEG-FGF21 –Fibrosis
	Pentraxin-2✦ ++ –Myelofibrosis
	–Idiopathic Pulmonary Fibrosis

Data as of January 1, 2018

Note: Above pipeline excludes clinical collaborations

✦ Development Partnership
Empliciti*:** AbbVie; ***Sprycel*:** Otsuka; ***Opdivo, Yervoy*:** Ono Pharmaceutical (our collaboration with Ono also includes other early-stage compounds); **PROSTVAC:** Bavarian Nordic; **Lirilumab:** Innate Pharma; **Cabiralizumab:** Five Prime Therapeutics; **Epacadostat:** Incyte; **Cabozantinib:** Exelixis; ***Eliquis: Pfizer; **Pentraxin-2:** Promedior; **HSP47:** Nitto Denko Corporation

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

Helping Communities When Disaster Strikes

"When we were able to package the first product, that wasn't just a major milestone from an engineering or discovery perspective, but from an emotional perspective. It's a sign that if we as a company can do this, then we can do it for all of Puerto Rico."

– Anibal Carlo
Vice President & General Manager
of the Manati site

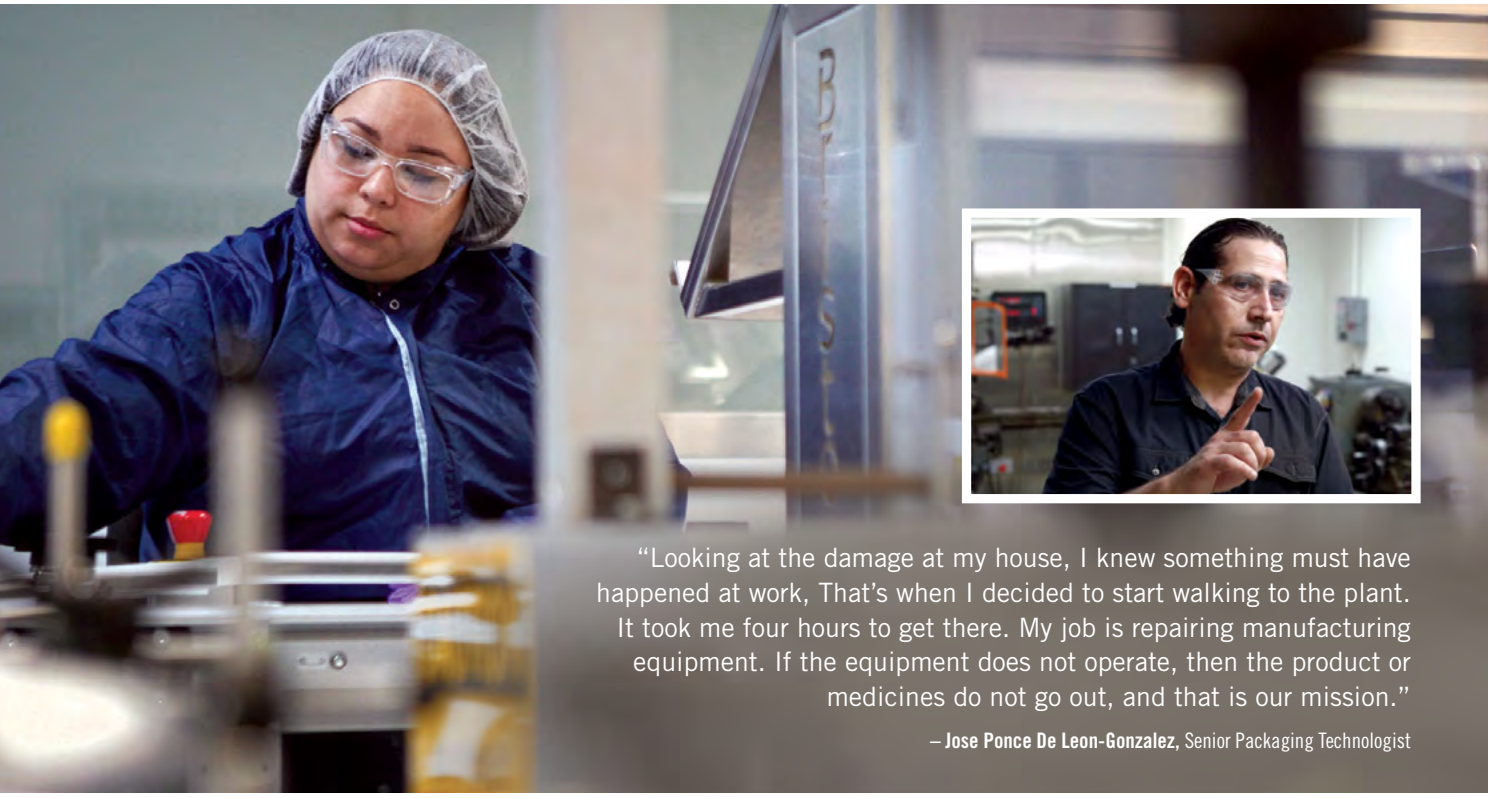
The devastating string of natural disasters in 2017 left a trail of destruction across Texas, Florida, the Caribbean, Mexico, and California. While the Bristol-Myers Squibb Foundation's mission is to promote health equity and improve the health outcomes of populations disproportionately affected by serious diseases, it is also positioned to provide important emergency relief and humanitarian aid. Never in the company's history has there been a series of natural disasters of this scale happening over three months. The Foundation responded in each instance, donating a total of $2.15 million to relief efforts in affected communities.

"When natural disasters hit, it's critical the relief organizations have cash resources to immediately provide food, water and medical assistance to those displaced or injured," says John Damonti, president of the Bristol-Myers Squibb Foundation. "We work closely with our relief partners to determine needs and to quickly respond to help people in impacted communities."

Hurricane Harvey was the first major storm to hit the U.S., and to assist in recovery efforts in impacted communities in Texas, the Bristol-Myers Squibb Foundation gave $250,000 in cash donations to the American Red Cross, Americares, and Direct Relief. In early September, Hurricane Irma pummeled Florida, with high winds and lashing rain taking out power lines and flooding streets. The Tampa area was particularly hard hit, with thousands of people displaced and widespread power outages. The Bristol-Myers Squibb North American Capability Center suffered loss of power, but the company's advance planning meant the important support provided by our teams in Tampa continued seamlessly from offsite locations. To provide immediate relief to the community, the Foundation provided a $100,000 cash donation to the Central Florida Red Cross for Tampa.

Bristol-Myers Squibb has also donated over $10 million in urgently needed medicines to Americares and Direct Relief to help patients affected by Hurricanes Harvey and Irma. Across all disasters, the Foundation matches employee donations to relief organizations dollar-for-dollar.

Following quickly behind Irma, Hurricane Maria, a category 4 storm, barreled across the Caribbean, landing a direct hit on Puerto Rico. Officials estimated it would take months



"Looking at the damage at my house, I knew something must have happened at work, That's when I decided to start walking to the plant. It took me four hours to get there. My job is repairing manufacturing equipment. If the equipment does not operate, then the product or medicines do not go out, and that is our mission."

– **Jose Ponce De Leon-Gonzalez**, Senior Packaging Technologist

before basic service could be restored to certain areas. The Foundation donated a total of $1.75 million to a number of partners including the Puerto Rico Red Cross, Americares, Direct Relief International, American Cancer Society-Puerto Rico Chapter, and Cancer Care.

A top concern for Bristol-Myers Squibb remained its employees and their families at manufacturing and commercial sites on the island. From financial assistance to food to generators and laundry service, Bristol-Myers Squibb provided the necessary essentials to employees during this incredible time of need.

While employees in Puerto Rico dealt with the impact of the storm on their families and homes, they also kept their focus on patients, returning to work within days of the storm to ensure a continuous supply of the important medicines that are manufactured in Puerto Rico. One employee walked approximately 10 miles to work out of concern for the impact the damage may have on patients getting medicines, including *Opdivo*.

"Looking at the damage at my house, I knew something must have happened at work," says Jose Ponce De Leon-Gonzalez, Senior Packaging Technologist. "That's when I decided to start walking to the plant. It took me four hours to get there. My job is repairing manufacturing equipment. If the equipment does not operate, then the product or medicines do not go out, and that is our mission."

The road to recovery remains long for many residents and businesses in Puerto Rico, but employees from Bristol-Myers Squibb find the journey a little easier knowing that patients still have access to medicine.

"When we were able to package the first product, that wasn't just a major milestone from an engineering or discovery perspective, but from an emotional perspective," says Anibal Carlo, Vice President & General Manager of the Manati site. "It's a sign that if we as a company can do this, then we can do it for all of Puerto Rico."

Over the months of September and October, the Foundation responded to two earthquakes in Mexico that claimed hundreds of lives and wild fires in California that destroyed nearly 9,000 structures and claimed the lives of 43 people.

In all of these communities, our company and the Foundation work to help support community and emergency relief partners to provide immediate care and much needed relief so communities can rebuild and ultimately thrive.

EVAN JANOVITZ

"I'M GRATEFUL TO COME TO WORK EVERY DAY WITH A GREAT GROUP OF SCIENTISTS WORKING TOGETHER TO SOLVE ONE OF THE GREAT MEDICAL MYSTERIES."

JUST A COINCIDENCE

For more than 30 years, Evan Janovitz has had liver disease, but has never had a single symptom. His physicians would often encourage him to lose weight and take better care of his health, though that message did not sink in until ten years ago when Evan had a coronary event and had a stent inserted into his artery. The health scare prompted him to see a liver specialist, and only through lab tests was it revealed that he had non-alcoholic steatohepatitis, better known as NASH.

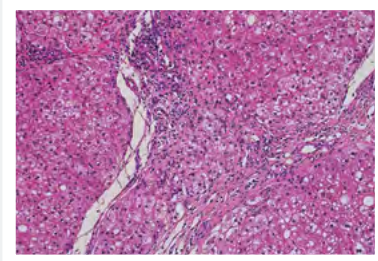
Five years later, despite having no new symptoms, Evan learned that this silent disease progressed to cirrhosis, which is late-stage scarring of the liver.

"I realized at that time, I can't put any more pressure on my liver," says Evan.

PROFESSIONAL TURNS PERSONAL

For Evan, a scientist working in discovery at Bristol-Myers Squibb, his professional path became personal when he began researching treatment options in the area of fibrosis, including NASH.

"The impetus for our company to work on a silent disease, like NASH, is to halt the progression to liver cancer or the need for a liver transplant," Evan says.



Evan studies the pathology of liver biopsies to help identify potential pharmacologic options for treating patients with NASH and liver fibrosis.

Still, Evan says it's his love of science–not necessarily his personal health–that motivates his pursuit of drug discovery.

"This unusual circumstance is just a coincidence," says Evan. "I'm not in my field for personal motivations. I'm more interested in the science and where it might lead us."

Currently, there's no treatment for NASH. The course of disease can be very long with no symptoms.

Evan's condition has fortunately been stable for years, but that does not mean the disease is not progressing.

"My life illustrates the biggest challenge with NASH," says Evan. "At Bristol-Myers Squibb, we're learning more about liver disease every day, but the more you learn the more you realize how complicated it is."

Despite a lack of available treatment, Evan knows first-hand that abstaining from alcohol, restricting caloric intake, and increasing exercise are all factors in slowing down the progression of NASH. Changing his lifestyle has given him more energy and motivation to go to work and tackle the giant challenge he and so many others face.

"I'm grateful to come to work every day with a great group of scientists working together to solve one of the great medical mysteries," Evan says.

BRISTOL-MYERS SQUIBB
2017 Financial Report

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 2017 Form 10-K for terms used throughout the document.

In 2017, we received 15 approvals for new medicines and additional indications and formulations of currently marketed medicines in major markets (the U.S., EU, Japan and China) including multiple regulatory milestone achievements for *Opdivo*. We are committed to investigating *Opdivo* alone and in combination with *Yervoy* and other anti-cancer agents for a wide array of tumor types, including broad programs in lung, head & neck, liver, kidney, bladder and gastric. We continue to believe that the breadth and depth of our IO portfolio positions us well for the future. We have 17 new IO compounds in clinical development and studies across more than 35 different tumor types. In addition, we advanced certain other non-IO R&D programs in our pipeline, including FGF21 for the treatment of NASH and TYK-2 inhibitor for the treatment of immune diseases such as psoriasis. We also continued to progress our company transformation initiatives enabling us to invest in our highest priority portfolio opportunities.

In 2017, our revenues increased 7% as a result of higher demand for our prioritized brands including *Opdivo* and *Eliquis* partially offset by increased competition for established brands, primarily *Daklinza*. The $2.04 decrease in GAAP EPS was due to tax charges attributed to tax reform ($1.76 per share) and to a lesser extent higher license, asset acquisition and restructuring related charges and lower divestiture-related income. These items were partially offset by higher revenues, royalties and licensing income and a patent-infringement settlement. After adjusting for the impact of tax reform and other specified items, non-GAAP EPS increased $0.18 primarily as a result of higher revenues partially offset by product mix and higher R&D expenses supporting *Opdivo* and other IO programs.

In 2016, our revenues increased 17% as a result of higher demand for our prioritized brands including *Opdivo* and *Eliquis* 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 $1.72 increase in GAAP EPS was due to higher revenues, divestiture-related income and lower license and asset acquisition charges partially offset by higher *Opdivo* related expenses. After adjusting for the impact of divestiture gains, R&D license and asset acquisition charges and other specified items, non-GAAP EPS increased by $0.82 primarily as a result of higher revenues partially offset by product mix.

Highlights

The following table summarizes our financial information:

	Year Ended December 31,		
Dollars in Millions, except per share data	**2017**	2016	2015
Total Revenues	**$ 20,776**	$ 19,427	$ 16,560
Diluted Earnings Per Share			
GAAP	**$ 0.61**	$ 2.65	$ 0.93
Non-GAAP	**3.01**	2.83	2.01

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 15 significant approvals received in 2017.

Product	Date	Approval
Opdivo	December 2017	FDA approval of injection for intravenous use for the adjuvant treatment of patients with melanoma with involvement of lymph nodes or metastatic disease who have undergone complete resection.
	September 2017	FDA approval for the treatment of patients with HCC, a type of liver cancer, who have been previously treated with sorafenib.
		Approval in Japan for the treatment of unresectable advanced or recurrent gastric cancer which has progressed after chemotherapy, received by our alliance partner, Ono.
	August 2017	FDA approval for the treatment of adult and pediatric patients with MSI-H or dMMR mCRC that has progressed following treatment with a fluoropyrimidine, oxaliplatin and irinotecan.
	June 2017	EC approval for the treatment of patients with previously treated locally advanced unresectable or metastatic urothelial carcinoma, a type of bladder cancer, in adults after failure of platinum-containing therapy.
	April 2017	EC approval for the treatment of SCCHN in adults progressing on or after platinum-based therapy.
	March 2017	Approval in Japan for the treatment of recurrent or metastatic HNC, received by our alliance partner, Ono.
	February 2017	FDA approval for the treatment of patients with previously treated locally advanced or metastatic urothelial carcinoma.
Orencia	July 2017	EC approval for the treatment of active PsA in adults for whom the response to previous disease-modifying antirheumatic drug therapy, including methotrexate, has been inadequate, and additional systemic therapy for psoriatic skin lesions is not required.
		FDA approval for the treatment of active PsA in adults.
	March 2017	FDA approval of a new subcutaneous administration option for use in patients two years of age and older with moderately to severely active polyarticular JIA.
Sprycel	November 2017	FDA expanded the indication for *Sprycel* tablets to include the treatment of children with Philadelphia chromosome-positive CML in chronic phase.
Yervoy	July 2017	FDA approval of an expanded indication for the treatment of unresectable or metastatic melanoma in pediatric patients.
Hepatitis C Franchise	April 2017	China FDA approval of the *Daklinza* and *Sunvepra* regimen for treatment-naive or experienced patients infected with genotype 1b chronic HCV. In addition, *Daklinza* was approved in China for combination use with other agents, including sofosbuvir, for adult patients with HCV genotypes 1-6 infection.

Refer to "—Product and Pipeline Developments" for all of the developments in our marketed products and late-stage pipeline in 2017 and in early 2018.

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 leading franchise in IO, maintain a diversified portfolio both within and outside of IO, and continue our disciplined approach to capital allocation, including establishing partnerships, collaborations and in-licensing or acquiring investigational compounds as an essential component of successfully delivering transformational medicines to patients.

We are developing new medicines in the following core therapeutic areas: (1) oncology with a priority in IO; (2) immunoscience with priorities in lupus, rheumatoid arthritis and inflammatory bowel disease; (3) cardiovascular with a priority in heart disease and; (4) fibrotic disease with priorities in lung and liver. We continue to advance the next wave of innovative medicines by investing significantly in our pipeline both internally and through business developments activities. In IO, we continue to invest in monotherapy studies, combination approaches, and our next wave of early assets. We have entered into several collaboration agreements and expanded others to research and develop *Opdivo* and other approved or investigational oncology agents in combination regimens. We remain focused and well-resourced in our cancer development programs and seek to broaden the use of *Opdivo* in earlier lines of therapy, expand into new tumors, accelerate next wave IO mechanisms and develop treatment options for refractory IO patients. Beyond cancer, we continue to advance our early stage portfolio in immunoscience, cardiovascular, and fibrotic diseases and strengthen our partnerships with a diverse group of companies and academic institutions in new and expanded research activities. We believe our differentiated internal and external focus contributes to the advancing of our pipeline of potentially transformational medicines.

Our commercial model has been evolving and revenues from our marketed product portfolio continue to grow which demonstrates strong execution of our 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. *Eliquis* continues to grow, leveraging its best in class clinical profile and extensive real world data, and is now the number one novel oral anticoagulant in total prescriptions in the U.S. We are building on the continued success of our other prioritized brands and remain strongly committed to *Orencia* and *Sprycel*. Through our operating model transformation, our commercial infrastructure is uniquely leveraged for potential growth.

Our operating model continues to evolve and we have been successful in focusing commercial and R&D resources on prioritized brands and markets, strengthening our R&D capabilities in tumor biology, patient selection, and new biomarkers, delivering leaner administrative functions and streamlining our manufacturing network to reflect the importance of biologics in our current and future portfolio. The evolution in our operating model will enable us to deliver the necessary strategic, financial and operational flexibility to invest in the highest priority opportunities within our portfolio.

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, aided by strategic 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 arrangements allow us to focus our resources behind our growth opportunities that drive the greatest long-term value. We are focused on the following core therapeutic areas: oncology, including IO, immunoscience, cardiovascular and fibrosis. Significant arrangements during the past three years are summarized below. Refer to "Financial Statements—Note 4. Acquisitions, Divestitures and Licensing Arrangements" for further information.

2017 Arrangements

Ono: BMS acquired an exclusive license to develop and commercialize ONO-4578, Ono's Prostaglandin E2 receptor 4 antagonist for the treatment of cancer. BMS acquired worldwide rights except in Japan, South Korea, and Taiwan where it was added to the existing collaboration and in China and ASEAN countries where Ono retained exclusive rights.

Halozyme: BMS and Halozyme entered into a global collaboration and license agreement to develop subcutaneously administered BMS IO medicines using Halozyme's *ENHANZE*® drug-delivery technology which may allow for more rapid delivery of large volume injectable medications.

IFM: BMS acquired all of the outstanding shares of IFM providing BMS with full rights to IFM's preclinical STING and NLRP3 agonist programs focused on enhancing the innate immune response for treating cancer.

Biogen: BMS out-licensed to Biogen exclusive rights to develop and commercialize BMS-986168, an anti-eTau compound in development for Progressive Supranuclear Palsy.

Roche: BMS out-licensed to Roche exclusive rights to develop and commercialize BMS-986089, an anti-myostatin adnectin in development for Duchenne Muscular Dystrophy.

CytomX: BMS and CytomX expanded their initial 2014 strategic collaboration to discover novel cancer treatment therapies that will include up to eight additional targets using CytomX's proprietary Probody platform for the treatment of cancer.

2016 Arrangements

PsiOxus: BMS acquired exclusive worldwide rights to PsiOxus's NG-348, a pre-clinical stage, "armed" oncolytic virus with the goal of addressing solid tumors.

Padlock: BMS acquired all of the outstanding shares of Padlock providing BMS with full rights to Padlock's PAD inhibitor discovery program focused on the development of treatment approaches for patients with rheumatoid arthritis.

Cormorant: BMS acquired all of the outstanding shares of Cormorant providing BMS with full rights to Cormorant's lead candidate HuMax-IL8, a monoclonal antibody that represents a potentially complementary IO mechanism of action to T-cell directed antibodies and co-stimulatory molecules.

Nitto Denko: BMS acquired an exclusive worldwide license to develop and commercialize Nitto Denko's investigational siRNA molecules targeting heat shock protein 47 (HSP47) in vitamin A containing formulations including Nitto Denko's lead asset ND-L02-s0201, currently in development for the treatment of advanced liver fibrosis, and the option to receive exclusive licenses for HSP47 siRNAs in vitamin A containing formulations for the treatment of lung and other organ fibrosis.

2015 Arrangements

Flexus: BMS acquired all of the outstanding shares of Flexus providing BMS with full rights to F001287, a preclinical small molecule IDO1-inhibitor targeted immunotherapy with potential to be used in combination with BMS's immuno-oncology portfolio. In addition, the transaction included Flexus's IDO/TDO discovery program which included its IDO-selective, IDO/TDO dual and TDO-selective compounds.

Cardioxyl: BMS acquired all of the outstanding shares of Cardioxyl providing BMS with full rights to CXL-1427, a nitroxyl prodrug in development for acute decompensated heart failure.

Five Prime: BMS and Five Prime entered into an exclusive worldwide licensing and collaboration agreement to develop and commercialize Five Prime's CSF1R antibody program, including cabiralizumab currently in development for IO indications and PVNS. BMS is 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.

Promedior: BMS acquired a warrant providing BMS exclusive rights to acquire Promedior, whose lead asset, PRM-151, is being developed for the treatment of IPF and MF. The warrant is exercisable upon being provided data following completion of either of the IPF or MF Phase II clinical studies being directed by Promedior.

Bavarian Nordic: BMS acquired an exclusive option to globally license and commercialize *Prostvac**, Bavarian Nordic's investigational Phase III prostate-specific antigen-targeting cancer immunotherapy in development for the treatment of asymptomatic or minimally symptomatic metastatic castration-resistant prostate cancer. In 2017, an independent Data Monitoring Committee determined that the continuation of the Phase III PROSPECT study of *Prostvac** in patients with metastatic castration-resistant prostate cancer is futile.

uniQure: BMS entered into a collaboration and license agreement with uniQure granting BMS an exclusive license to uniQure's gene therapy technology platform for up to 10 specific collaboration targets. The collaboration includes uniQure's proprietary gene therapy program for congestive heart failure that is intended to restore the heart's ability to synthesize S100A1, a calcium sensor and master regulator of heart function, and thereby improve clinical outcomes for patients with reduced ejection fraction.

RESULTS OF OPERATIONS

Regional Revenues

The composition of the changes in revenues was as follows:

	Year Ended December 31,			2017 vs. 2016		2016 vs. 2015	
	Total Revenues			Analysis of % Change		Analysis of % Change	
Dollars in Millions	2017	2016	2015	Total Change	Foreign Exchange[(b)]	Total Change	Foreign Exchange[(b)]
United States	**$ 11,358**	$ 10,720	$ 8,188	6 %	—	31 %	—
Europe	**4,988**	4,215	3,491	18 %	1%	21 %	(2)%
Rest of the World	**3,877**	3,964	4,142	(2)%	—	(4)%	(4)%
Other[(a)]	**553**	528	739	5 %	N/A	(29)%	N/A
Total	**$ 20,776**	$ 19,427	$ 16,560	7 %	—	17 %	(2)%

(a) Other revenues include royalties and alliance-related revenues for products not sold by our regional commercial organizations.
(b) Foreign exchange impacts were derived by applying the prior period average currency rates to the current period sales.

U.S. revenues increased in 2017 due to higher demand for *Eliquis* and *Opdivo* partially offset by lower demand for established brands due to increased competition, primarily *Daklinza* and HIV brands. The lower growth rate in the U.S. was due to additional competition for *Opdivo* and *Daklinza*. Average U.S. net selling prices were approximately 2% higher after charge-backs, rebates and discounts. Refer to "—Product Revenues Commentary" for additional information.

U.S. revenues increased in 2016 due to 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 were approximately 5% higher after charge-backs, rebates and discounts.

Europe revenues increased in 2017 due to higher demand for *Opdivo* and *Eliquis* partially offset by lower demand for *Daklinza* due to increased competition. Europe revenues increased in 2016 due to higher demand for *Opdivo* and *Eliquis* partially offset by lower demand for *Yervoy*.

Rest of the World revenues decreased in 2017 due to lower demand for established brands, including *Daklinza*, due to increased competition and out-licensing of a mature brand product, partially offset by higher demand for *Opdivo* and *Eliquis*. Rest of the World revenues decreased in 2016 due to 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.*

Other revenues decreased in 2016 as a result of the expiration of certain supply arrangements. Refer to "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 except for Japan which contributed 10% of total revenues in 2015.

GTN Adjustments

We recognize revenue net of GTN adjustments that are further described in "—Critical Accounting Policies". Our share of certain *Abilify** and *Atripla** revenues is reflected net of all GTN adjustments in alliance and other revenues.

The activities and ending reserve balances for each significant category of GTN 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, 2016	$ 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)
Payments and returns	(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
Provision related to sale made in:				
Current period	**2,087**	**2,090**	**2,135**	**6,312**
Prior period	**(3)**	**(4)**	**(64)**	**(71)**
Payments and returns	**(2,004)**	**(1,810)**	**(2,107)**	**(5,921)**
Foreign currency translation and other	**3**	**—**	**104**	**107**
Balance at December 31, 2017	**$ 209**	**$ 796**	**$ 1,228**	**$ 2,233**

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

	Year Ended December 31,			% Change	
Dollars in Millions	**2017**	2016	2015	2017 vs. 2016	2016 vs. 2015
Gross product sales	**$ 25,499**	$ 22,364	$ 17,166	14%	30%
GTN Adjustments					
Charge-backs and cash discounts	**(2,084)**	(1,582)	(1,043)	32%	52%
Medicaid and Medicare rebates	**(2,086)**	(1,382)	(859)	51%	61%
Other rebates, returns, discounts and adjustments	**(2,071)**	(1,698)	(1,219)	22%	39%
Total GTN Adjustments	**(6,241)**	(4,662)	(3,121)	34%	49%
Net product sales	**$ 19,258**	$ 17,702	$ 14,045	9%	26%
GTN adjustments percentage	**24%**	21%	18%	3%	3%
U.S.	**31%**	26%	25%	5%	1%
Non-U.S.	**13%**	13%	11%	—	2%

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

Product Revenues

Dollars in Millions	Year Ended December 31, 2017	2016	2015	% Change 2017 vs. 2016	2016 vs. 2015
Prioritized Brands					
Opdivo	**$ 4,948**	$ 3,774	$ 942	31 %	**
U.S.	**3,102**	2,664	823	16 %	**
Non-U.S.	**1,846**	1,110	119	66 %	**
Eliquis	**4,872**	3,343	1,860	46 %	80 %
U.S.	**2,887**	1,963	1,023	47 %	92 %
Non-U.S.	**1,985**	1,380	837	44 %	65 %
Orencia	**2,479**	2,265	1,885	9 %	20 %
U.S.	**1,704**	1,532	1,271	11 %	21 %
Non-U.S.	**775**	733	614	6 %	19 %
Sprycel	**2,005**	1,824	1,620	10 %	13 %
U.S.	**1,105**	969	829	14 %	17 %
Non-U.S.	**900**	855	791	5 %	8 %
Yervoy	**1,244**	1,053	1,126	18 %	(6)%
U.S.	**908**	802	602	13 %	33 %
Non-U.S.	**336**	251	524	34 %	(52)%
Empliciti	**231**	150	3	54 %	**
U.S.	**151**	133	3	14 %	**
Non-U.S.	**80**	17	—	**	N/A
Established Brands					
Baraclude	**1,052**	1,192	1,312	(12)%	(9)%
U.S.	**53**	66	135	(20)%	(51)%
Non-U.S.	**999**	1,126	1,177	(11)%	(4)%
Sustiva Franchise	**729**	1,065	1,252	(32)%	(15)%
U.S.	**622**	901	1,041	(31)%	(13)%
Non-U.S.	**107**	164	211	(35)%	(22)%
Reyataz Franchise	**698**	912	1,139	(23)%	(20)%
U.S.	**327**	484	591	(32)%	(18)%
Non-U.S.	**371**	428	548	(13)%	(22)%
Hepatitis C Franchise	**406**	1,578	1,603	(74)%	(2)%
U.S.	**109**	827	323	(87)%	**
Non-U.S.	**297**	751	1,280	(60)%	(41)%
Other Brands	**2,112**	2,271	3,818	(7)%	(41)%
U.S.	**390**	379	1,547	3 %	(76)%
Non-U.S.	**1,722**	1,892	2,271	(9)%	(17)%
Total Revenues	**20,776**	19,427	16,560	7 %	17 %
U.S.	**11,358**	10,720	8,188	6 %	31 %
Non-U.S.	**9,418**	8,707	8,372	8 %	4 %

** Change in excess of 100%

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

- U.S. revenues increased in both periods due to higher demand. We expect increased competition for *Opdivo* to continue in the future due to new product entrants and expanded indications.
- International revenues increased in both periods due to higher demand as a result of launches of additional indications and approvals in new countries.

Eliquis (apixaban) — an oral Factor Xa inhibitor, targeted at stroke prevention in adult patients with non-valvular atrial fibrillation and the prevention and treatment of VTE 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 (abatacept) — a fusion protein indicated for adult patients with moderate to severe active RA and PsA and is also indicated for reducing signs and symptoms in certain pediatric patients with moderately to severely active polyarticular juvenile idiopathic arthritis.

- U.S. revenues increased in both periods due to higher average net selling prices and demand.
- International revenues increased in both periods due to higher demand.

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

- U.S. revenues increased in both periods due to higher demand and average net selling prices.
- International revenues increased in both periods due to higher demand. We may experience a decline in European revenues in the event that generic datasinib product enters the market.

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

- U.S. revenues increased in both periods primarily due to higher demand.
- International revenues increased in 2017 due to higher demand in Europe following the approval of the *Opdivo*+*Yervoy* combination therapy for melanoma. 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*.

Empliciti (elotuzumab) — 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.

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

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

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

- U.S. revenues continued to decrease in both periods due to lower demand resulting from increased competition from new product entrants. The decrease in 2016 was partially offset by higher average net selling prices. The LOE occurred in December 2017. Gilead terminated BMS's participation in the U.S. and Canada joint venture following the launch of a generic version of *Sustiva* in the U.S. As a result, BMS's share of *Atripla** revenues will further decline during the next three years. Refer to "Financial Statements—Note 3. Alliances" for further discussion.

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

- U.S. revenues continued to decrease due to lower demand resulting from new product entrants. The decrease in 2016 was partially offset by higher average net selling prices. The LOE occurred in December 2017 and will result in a higher decline in revenues in future periods due to generic competition.
- International revenues continued to decrease in both periods due to lower demand resulting from increased competition. The decrease in 2016 was also impacted by unfavorable foreign exchange.

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

- U.S. revenues decreased in 2017 due to lower demand resulting from new product entrants. U.S. revenues increased in 2016 due to the launch of *Daklinza* in July 2015.
- International revenues decreased in both periods due to lower demand resulting from increased competition due to new product entrants.

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

- U.S. revenues decreased in 2016 due to the expiration of BMS's commercialization rights to *Abilify** in April 2015 and the transfer of BMS's North American *Erbitux** rights to Lilly in October 2015. Refer to "Financial Statements—Note 3. Alliances" for further discussion.
- International revenues decreased in 2017 due to out-licensing and divestiture of certain other brands and continued generic erosion. International revenues decreased in 2016 due to the expiration of certain supply arrangements, divestiture of certain other brands, increased competition for OTC brands and unfavorable foreign exchange.

Estimated End-User Demand

Pursuant to the SEC Consent Order described 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. At December 31, 2017, *Daklinza* had 1.7 months of inventory on hand in the U.S. as a result of minimum required stock levels to support patient demand. We expect inventory on hand levels of *Daklinza* to exceed one month over the near term. Below are international products that had estimated levels of inventory in the distribution channel in excess of one month on hand at September 30, 2017.

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

Efferalgan, an analgesic product sold principally in Europe, had 1.2 months of inventory on hand internationally at direct customers compared to 0.8 months of inventory on hand at June 30, 2017. The level of inventory on hand was primarily attributable to France to support product seasonality.

Fervex, a cold and flu product, had 3.0 months of inventory on hand at direct customers compared to 4.0 months of inventory on hand at June 30, 2017. The level of inventory on hand was attributable to France to support product seasonality.

Perfalgan, an analgesic product, had 2.6 months of inventory on hand internationally at direct customers compared to 1.5 months of inventory on hand at June 30, 2017. The level of inventory on hand was primarily in the Gulf Countries 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, 2017 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	2017	2016	2015	% Change 2017 vs. 2016	% Change 2016 vs. 2015
Cost of products sold	**$ 6,066**	$ 4,946	$ 3,909	23 %	27 %
Marketing, selling and administrative	**4,687**	4,911	4,841	(5)%	1 %
Research and development	**6,411**	4,940	5,920	30 %	(17)%
Other income (net)	**(1,519)**	(1,285)	(187)	18 %	**
Total Expenses	**$ 15,645**	$ 13,512	$ 14,483	16 %	(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 product supply costs and other supply chain costs managed by our global manufacturing and supply organization. Cost of products sold also includes royalties and profit sharing, certain excise taxes, foreign currency hedge settlement gains and losses and the amortization of acquired developed technology costs. Cost of products sold typically vary between periods as a result of product mix and volume (particularly royalties and profit sharing), and to a lesser extent changes in foreign currency, price, inflation and costs attributed to manufacturing site exits.

- Cost of products sold increased in 2017 due to higher *Eliquis* profit sharing of $719 million and a $146 million impairment charge to reduce the carrying value of the small molecule active pharmaceutical ingredient manufacturing operations in Swords, Ireland. The remaining increase was primarily due to higher sales volume, inventory charges, manufacturing startup costs and foreign currency. Refer to "Financial Statements—Note 4. Acquisitions, Divestitures and Licensing Arrangements" for further information.
- Cost of products sold increased in 2016 due to higher *Eliquis* profit sharing of $700 million, lower foreign currency hedge settlement gains and higher Puerto Rico excise tax.

Marketing, selling and administrative

Marketing, selling and administrative expenses primarily include salary and benefit costs, third-party professional and marketing fees, outsourcing fees, shipping and handling costs, advertising and product promotion. 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 decreased in 2017 due to lower advertising, promotion and sales-force expenses supporting *Daklinza* and other established brands and lower BMS foundation grants.
- Marketing, selling and administrative expenses increased in 2016 due to higher advertising, promotion and sales-force expenses supporting *Opdivo* partially offset by lower spend for established brands and favorable foreign exchange.

Research and development

Research and development activities include discovery research, preclinical and clinical development, drug formulation 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 increased in 2017 due to higher license and asset acquisition charges, site exit charges, IPRD impairment charges and expansion of *Opdivo* and other IO development programs.
- Research and development expenses decreased in 2016 due to lower license and asset acquisition and IPRD impairment charges, partially offset by the acceleration and expansion of *Opdivo* development programs.

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

	Year Ended December 31,		
Dollars in Millions	**2017**	2016	2015
IFM	**$ 311** [(a)]	$ —	$ —
CytomX	**200** [(a)]	25 [(a)]	—
Halozyme	**105** [(a)]	—	—
Flexus	**324** [(b)]	100 [(b)]	800 [(a)]
Cardioxyl	**100** [(b)]	—	167 [(a)]
PsiOxus	**50** [(a)]	—	—
Ono	**40** [(a)]	—	—
Padlock	**—**	139 [(a)]	—
Cormorant	**—**	35 [(a)]	—
Nitto Denko	**—**	100 [(a)]	—
Five Prime	**—**	—	350 [(a)]
Promedior	**—**	—	84 [(c)]
Bavarian Nordic	**—**	—	60 [(c)]
uniQure	**—**	—	50 [(a)]
Other	**—**	40	168
License and asset acquisition charges	**1,130**	439	1,679
F-Star Alpha	**75**	—	—
LPA1 Antagonist	**—**	—	160
Other	**—**	13	—
IPRD impairments	**75**	13	160
Site exit costs	**383**	83	30
Other	**—**	—	14
Site exit costs and other	**383**	83	44
Research and development significant charges	**$ 1,588**	$ 535	$ 1,883

(a) Upfront payment
(b) Milestone payment
(c) Option fee

- License and asset acquisition charges resulted from strategic transactions to acquire or license certain investigational oncology, cardiovascular, immunoscience and fibrotic disease compounds (or options to acquire or license) as disclosed in "— Acquisition and Licensing Arrangements".
- IPRD impairment charges were related to the discontinued development of an investigational compound which was part of our alliance with F-Star Alpha in 2017 and LPA1 Antagonist Phase II study in 2015.
- Site exit costs resulted from the expected exit of R&D sites in the U.S. through 2020 primarily due to the reduction in the estimated useful lives of the related assets and an impairment charge to reduce the carrying value of a R&D facility in Wallingford, Connecticut.

Other income (net)

- Other income (net) increased in 2017 primarily due to a patent infringement settlement and out-licensing income partially offset by lower divestiture gains and related service fees and higher restructuring and debt redemption charges.
- Other income (net) increased in 2016 primarily due to divestiture gains and related service fees and royalties and lower debt redemption and litigation charges.

Components of other income (net) were as follows:

Dollars in Millions	Year Ended December 31, 2017	2016	2015
Interest expense	**$ 196**	$ 167	$ 184
Investment income	**(154)**	(105)	(101)
Provision for restructuring	**293**	109	118
Litigation and other settlements	**(487)**	47	159
Equity in net income of affiliates	**(75)**	(77)	(83)
Divestiture gains	**(164)**	(576)	(196)
Royalties and licensing income	**(1,351)**	(719)	(383)
Transition and other service fees	**(37)**	(238)	(122)
Pension charges	**162**	91	160
Intangible asset impairment	**—**	15	13
Equity investment impairment	**5**	45	—
Written option adjustment	**—**	—	(123)
Loss on debt redemption	**109**	—	180
Other	**(16)**	(44)	7
Other income (net)	**$ (1,519)**	$ (1,285)	$ (187)

- Restructuring charges relate to changes to the Company's operating model to drive continued success in the near- and long-term through a more focused investment in commercial opportunities for key brands and markets, a competitive and more agile R&D organization that can accelerate the pipeline, streamline operations and realign manufacturing capabilities that broaden biologics capabilities to reflect the current and future portfolio as well as streamline and simplify our small-molecule supply network. The new operating model is expected to enable the Company to deliver the strategic, financial and operational flexibility necessary to invest in the highest priorities across the Company. Aggregate restructuring charges of $826 million have been incurred in 2017 for all actions including accelerated depreciation and impairment charges resulting from early site exits.
- Litigation and other settlements include BMS's share of a patent-infringement settlement related to Merck's PD-1 antibody *Keytruda** in 2017 as BMS and Ono signed a global patent license agreement with Merck. Merck made an initial payment of $625 million to BMS and Ono, of which BMS received $481 million. 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. The companies also granted certain rights to each other under their respective patent portfolios pertaining to PD-1. Payments and royalties are shared between BMS and Ono on a 75/25 percent allocation, respectively after adjusting for each parties' legal fees.
- Divestiture gains relate to additional contingent consideration for the diabetes business in 2017, certain OTC brands and investigational HIV medicines businesses in 2016, and the Mount Vernon, Indiana manufacturing facility, *Erbitux**, *Ixempra** and certain other OTC product businesses in 2015.
- Royalties and licensing income include upfront licensing fees from Biogen and Roche in connection with the out-licensing of certain investigational genetically defined disease compounds in 2017, royalties from the Merck patent infringement settlement in 2017 and contingent consideration from the *Erbitux** and diabetes business divestitures in 2017, 2016 and 2015, including the transfer of certain royalty rights pertaining to Amylin product sales.
- Transition and other service fees included fees resulting from the divestiture of the diabetes and investigational HIV medicines businesses.
- Pension charges consist primarily of settlement charges due to the magnitude of lump sum payments for the principal of the U.S. pension plan.
- Written option adjustment includes income of $123 million resulting from the change in fair value of the written option liability attributed to the Reckitt alliance in 2015.
- A loss on debt redemption resulted from the repurchase of certain long-term debt obligations in 2017 and the early redemption of Euro notes and a tender offer for certain other debt securities in 2015.

Income Taxes

Dollars in Millions	2017	2016	2015
Earnings Before Income Taxes	$ 5,131	$ 5,915	$ 2,077
Provision for income taxes	4,156	1,408	446
Effective tax rate	81.0%	23.8%	21.5%

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

Although many aspects of the Act are not effective until 2018, additional tax expense of $2.9 billion was recognized in the fourth quarter of 2017 upon enactment of the Act. The additional expense increased the effective tax rate by 56.7% and included a $2.6 billion one-time deemed repatriation transition tax on previously untaxed post-1986 foreign earnings and profits (including related tax reserves). Those earnings were effectively taxed at a 15.5% rate to the extent that the specified foreign corporations held cash and certain other assets and an 8.0% rate on the remaining earnings and profits. The remaining $285 million of additional tax expense included an adjustment to measure net deferred tax assets at the new U.S. tax rate of 21%.

The accounting for the reduction of deferred tax assets to the 21% tax rate is complete. The tax charge for the deemed repatriation tax is incomplete, but was recorded as a provisional amount as we were able to make a reasonable estimate of this tax. The provisional amounts may change when completed in 2018 upon finalizing untaxed post-1986 foreign earnings and profits and related cash and certain eligible assets of the specified foreign corporations. The provisional amounts may also change if additional guidance of the relevant tax code is released.

Excluding the above transitional impacts related to the Act, the tax impact attributed to non-deductible R&D charges, divestiture transactions and other specified items increased the effective tax rate by 3.3% in 2017, 1.8% in 2016 and 0.3% in 2015. No tax benefits were attributed to the R&D charges incurred in connection with the acquisitions of IFM, Cormorant, Padlock, Cardioxyl, Flexus and the warrant to acquire Promedior. Lower non-deductible goodwill allocated to business divestitures and higher valuation allowances attributed to capital loss carryforwards released in 2015 impacted the effective tax rate in 2015. In addition, the adoption of amended income tax accounting guidance related to share-based payments and the early adoption of intra-entity transfers of assets other than inventory reduced the effective tax rate by 2.4% in 2017. Earnings mix between high and low tax jurisdictions, domestic manufacturing deductions and higher U.S. foreign tax credits resulting from the Puerto Rico excise tax attributed to most of the remaining changes in the effective tax rates.

Prior to the Act, the effective income tax rate was typically lower than the U.S. statutory rate of 35% primarily due to earnings for certain of our manufacturing operations in low tax jurisdictions such as Switzerland, Ireland and Puerto Rico which were indefinitely reinvested. BMS operates under a favorable tax grant in Puerto Rico not scheduled to expire prior to 2023. Although the Company continues to assess the broad and complex changes to the U.S. tax code, it currently expects no significant net impact of tax reform on the effective tax rate in 2018. Refer to "Financial Statements—Note 7. Income Taxes" for further information.

Non-GAAP Financial Measures

Our non-GAAP financial measures, including non-GAAP earnings and related EPS information, are adjusted to exclude certain costs, expenses, gains and losses and other specified items that are evaluated on an individual basis. These items are adjusted after considering their quantitative and qualitative aspects and typically have one or more of the following characteristics, such as being highly variable, difficult to project, unusual in nature, significant to the results of a particular period or not indicative of future operating results. Similar charges or gains were recognized in prior periods and will likely reoccur in future periods including restructuring costs, accelerated depreciation and impairment of property, plant and equipment and intangible assets, R&D charges in connection with the acquisition or licensing of third party intellectual property rights, divestiture gains or losses, pension, legal and other contractual settlement charges and debt redemption gains or losses, among other items. Deferred and current income taxes attributed to these items are also adjusted for considering their individual impact to the overall tax expense, deductibility and jurisdictional tax rates.

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

Specified items were as follows:

	Year Ended December 31,		
Dollars in Millions	**2017**	2016	2015
Impairment charges	**$ 146**	$ —	$ —
Accelerated depreciation and other shutdown costs	**3**	21	84
Cost of products sold	**149**	21	84
Marketing, selling and administrative	**1**	—	10
License and asset acquisition charges	**1,130**	439	1,679
IPRD impairments	**75**	13	160
Site exit costs and other	**383**	83	44
Research and development	**1,588**	535	1,883
Provision for restructuring	**293**	109	115
Litigation and other settlements	**(481)**	40	158
Divestiture gains	**(126)**	(559)	(187)
Royalties and licensing income	**(497)**	(10)	—
Pension charges	**162**	91	160
Intangible asset impairment	**—**	15	13
Written option adjustment	**—**	—	(123)
Loss on debt redemption	**109**	—	180
Other income (net)	**(540)**	(314)	316
Increase to pretax income	**1,198**	242	2,293
Income taxes on items above	**(87)**	51	(480)
Income taxes attributed to U.S. tax reform	**2,911**	—	—
Income taxes	**2,824**	51	(480)
Increase to net earnings	**4,022**	293	1,813
Noncontrolling interest	**(59)**	—	—
Increase to net earnings used for Diluted Non-GAAP EPS calculation	**$ 3,963**	$ 293	$ 1,813

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

	Year Ended December 31,		
Dollars in Millions, except per share data	**2017**	2016	2015
Net Earnings Attributable to BMS used for Diluted EPS Calculation — GAAP	**$ 1,007**	$ 4,457	$ 1,565
Specified Items	**3,963**	293	1,813
Net Earnings Attributable to BMS used for Diluted EPS Calculation — Non-GAAP	**$ 4,970**	$ 4,750	$ 3,378
Average Common Shares Outstanding — Diluted	**1,652**	1,680	1,679
Diluted EPS Attributable to BMS — GAAP	**$ 0.61**	$ 2.65	$ 0.93
Diluted EPS Attributable to Specified Items	**2.40**	0.18	1.08
Diluted EPS Attributable to BMS — Non-GAAP	**$ 3.01**	$ 2.83	$ 2.01

Financial Position, Liquidity and Capital Resources

Our net cash position was as follows:

Dollars in Millions	2017	2016
Cash and cash equivalents	$ 5,421	$ 4,237
Marketable securities — current	1,391	2,113
Marketable securities — non-current	2,480	2,719
Total cash, cash equivalents and marketable securities	9,292	9,069
Short-term debt obligations	(987)	(992)
Long-term debt	(6,975)	(5,716)
Net cash position	$ 1,330	$ 2,361

Cash, cash equivalents and marketable securities held in the U.S. were approximately $4.1 billion at December 31, 2017. Most of the remaining $5.2 billion is held primarily in low-tax jurisdictions and is subject to restrictions or withholding taxes in certain jurisdictions. We are subject to a one-time deemed repatriation transition tax of $2.6 billion which will be payable over eight years as a result of U.S. tax reform. However, we expect to have more flexibility in accessing cash and future cash that may be generated in foreign subsidiaries. We believe that our existing cash, cash equivalents and marketable securities together with cash generated from operations and issuance of commercial paper in the U.S. will be sufficient to satisfy our normal cash requirements for at least the next few years, including dividends, capital expenditures, milestone payments, working capital, deemed repatriation transition tax and 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.

The Company repurchased $2.5 billion of common stock in 2017 through accelerated share repurchase agreements, Rule 10b5-1 plans and open market purchases. The stock repurchases were funded by $1.5 billion of new long-term debt and cash. The Company repaid $750 million of long-term debt at maturity and repurchased $337 million of long-term debt in 2017. Refer to "Financial Statements—Note 9. Financial Instruments and Fair Value Measurements and Note 15. Equity" for further information.

We issued commercial paper to fund near-term domestic liquidity requirements during 2017. The average amount of commercial paper outstanding was $389 million at a weighted-average rate of 1.17% during 2017. The maximum amount of commercial paper outstanding was $1.3 billion with $299 million outstanding at December 31, 2017.

Dividend payments were $2.6 billion in 2017 and $2.5 billion in both 2016 and 2015. Dividend decisions are made on a quarterly basis by our Board of Directors. Annual capital expenditures were approximately $1.1 billion in 2017, $1.2 billion in 2016 and $800 million in 2015 and are expected to be approximately $1.0 billion in 2018 and $850 million in 2019. We continue to expand our biologics manufacturing capabilities and other facility-related activities. For example, we are constructing a new large-scale biologics manufacturing facility in Ireland that will produce multiple therapies for our growing biologics portfolio when completed in 2019.

Our investment portfolio includes non-current marketable securities, which are subject to changes in fair value as a result of interest rate fluctuations and other market factors. Our investment policy establishes limits on the amount and 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 "Financial Statements—Note 9. Financial Instruments and Fair Value Measurements" for further information.

We currently have three separate revolving credit facilities totaling $5.0 billion from a syndicate of lenders. The facilities provide for customary terms and conditions with no financial covenants. Our 364 day $2.0 billion facility expires in March 2018 and our two $1.5 billion facilities were extended to October 2021 and July 2022. Our two $1.5 billion, five-year facilities are extendable annually by one year on the anniversary date with the consent of the lenders. No borrowings were outstanding under any revolving credit facility at December 31, 2017 or 2016.

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

Credit Ratings

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

Cash Flows

The following is a discussion of cash flow activities:

Dollars in Millions	2017	2016	2015
Cash flow provided by/(used in):			
Operating activities	**$ 5,275**	$ 3,058	$ 2,105
Investing activities	**(66)**	1,480	(1,572)
Financing activities	**(4,077)**	(2,653)	(3,624)

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 are impacted by longer payment terms for certain biologic products in the U.S., primarily certain products including *Opdivo*, *Yervoy* and *Empliciti* (120 days to 150 days). The longer payment terms are used to more closely align with the insurance reimbursement timing for physicians and cancer centers following administration to the patients.

The $2.2 billion change in cash flow from operating activities compared to 2016 was primarily attributable to the following items in addition to increased sales and the timing of cash collections and payments in the ordinary course of business:

- Lower income tax payments of approximately $1.5 billion;
- Out-licensing proceeds of $470 million related to the Biogen and Roche transactions; and
- Litigation settlement proceeds of $481 million related to Merck's PD-1 antibody *Keytruda** (BMS's share).

Partially offset by:

- Higher R&D licensing payments of approximately $400 million primarily due to the CytomX, Halozyme and Nitto Denko transactions.
- Higher contributions to pension plans of approximately $300 million.

The $1.0 billion change in cash flow from operating activities compared to 2015 was primarily attributable to the following items in addition to increased sales and the timing of cash collections and payments in the ordinary course of business:

- The wind-down of the *Abilify** alliance in 2015 of approximately $700 million; and
- Lower R&D licensing payments of approximately $600 million primarily due to the Five-Prime and Promedior transactions in 2015.

Partially offset by:

- Higher income tax payments of approximately $1.4 billion.

Investing Activities

Cash requirements from investing activities include cash used for acquisitions, manufacturing and facility-related capital expenditures, 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 $1.5 billion change in cash flow from investing activities compared to 2016 was primarily attributable to:

- Lower net sales of marketable securities with maturities greater than 90 days of $745 million which were essentially offset by changes in cash equivalents;
- Lower business divestiture proceeds of approximately $600 million primarily due to certain OTC brands and investigational HIV medicines businesses in 2016; and
- Higher asset acquisition payments of approximately $350 million primarily due to the acquisition of IFM in 2017.

The $3.1 billion change in cash flow from investing activities compared to 2015 was primarily attributable to:

- Higher net sales of marketable securities of approximately $2.1 billion in 2016 which were reinvested in cash and cash equivalents;
- Lower asset acquisition payments of approximately $800 million primarily due to the acquisition of Flexus in 2015; and
- Higher business divestiture proceeds of approximately $600 million including royalties and other contingent consideration received subsequent to the divestitures of certain OTC brands and investigational HIV medicines businesses in 2016 and the Mount Vernon, Indiana manufacturing facility, *Ixempra** and mature and other OTC product businesses in 2015.

Partially offset by:

- Higher capital expenditures of approximately $400 million.

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 $1.4 billion change in cash flow from financing activities compared to 2016 was primarily attributable to:

- Higher repurchase of common stock of $2.2 billion primarily due to the accelerated share repurchase agreements.

Partially offset by:

- Higher net borrowing activity of $880 million primarily to fund the repurchase of common stock.

The $1.0 billion change in cash flow from financing activities compared to 2015 was primarily attributable to:

- Higher net borrowing activity of approximately $1.3 billion in 2016, primarily due to debt redemptions and reductions in cash overdrafts in 2015.

Partially offset by:

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

Contractual Obligations and Off-Balance Sheet Arrangements

Payments due by period for our contractual obligations at December 31, 2017 were as follows:

		Obligations Expiring by Period					
Dollars in Millions	Total	2018	2019	2020	2021	2022	Later Years
Short-term borrowings	$ 987	$ 987	$ —	$ —	$ —	$ —	$ —
Long-term debt	6,835	—	1,250	—	—	750	4,835
Interest on long-term debt[a]	3,083	213	200	192	192	192	2,094
Operating leases	793	141	110	90	75	71	306
Purchase obligations	3,386	1,480	730	499	257	239	181
Uncertain tax positions[b]	69	69	—	—	—	—	—
Deemed repatriation transition tax	2,497	102	200	200	200	200	1,595
Total [c]	$ 17,650	$ 2,992	$ 2,490	$ 981	$ 724	$ 1,452	$ 9,011

(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) Excludes pension and other liabilities because of uncertainties regarding the timing of resolution.

In addition to the above, we are committed to an aggregated $17.0 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 $3.1 billion (milestones achieved through Phase III clinical studies) and late-stage milestones of $10.4 billion (milestones achieved post Phase III clinical studies). 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 $3.5 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 "Financial Statements—Note 3. Alliances" for further information regarding our alliances. We do not have any off-balance sheet arrangements that are material or reasonably likely to become material to our financial condition or results of operations.

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 DSAs with our U.S. pharmaceutical wholesalers, which account for nearly 100% of our gross U.S. revenues. Under the current terms of the DSAs, 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 agreed to a two-year self-monitoring period of reporting to the government which concluded in October 2017.

Recently Issued Accounting Standards

For recently issued accounting standards, refer to "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). Revenue is also reduced for GTN 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 revise information or actual experience.

GTN Adjustments

The following categories of GTN adjustments involve significant estimates, judgments and information obtained from external sources. Refer to "—Total Revenues" for further discussion and analysis of each significant category of GTN 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 GTN 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 LOE. 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 GTN 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, 2017 for the U.S. pension plans was determined using a 3.5% discount rate. If the assumed discount rate used in determining the U.S. pension plans' projected benefit obligation at December 31, 2017 was reduced by an additional 1%, the projected benefit obligation would increase by approximately $950 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 2017 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 2017 was reduced by 1%, such expense would increase by $40 million.

For a more detailed discussion on retirement benefits, refer to "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 $8.1 billion (representing 24% of total assets) at December 31, 2017.

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 IFM, Cormorant, Padlock, Cardioxyl and Flexus during the past three years, 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 "Financial Statements—Note 4. Acquisitions and Divestitures" for further discussion on our acquisitions.

Similarly, in evaluating divestitures of our small molecule manufacturing operations in Swords, Ireland, investigational HIV medicines business, the businesses comprising the alliance with Reckitt, the Medicines Company, Valeant Pharmaceuticals International, Inc., *Erbitux®* and *Ixempra®*, 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 ($12 million in 2017, $98 million in 2016 and $73 million in 2015) to the carrying value of the businesses in determining the gain on sale. Contingent proceeds related to divestitures were not recognized until realized. We also concluded that not all inputs and significant processes to be capable of generating outputs were transferred in our out-licensing arrangements with Biogen and Roche, and consequently these transactions were not accounted for as sales of businesses in 2017.

Long-lived Assets

Other Intangible Assets, including IPRD

Other intangible assets were $1.2 billion at December 31, 2017, including licenses ($254 million of which $152 million is allocated to unapproved products), developed technology rights ($565 million), capitalized software ($359 million) and IPRD ($32 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 LOE, pricing pressures, adverse regulatory changes or clinical study 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, impairment charges are likely to occur in future periods. We recognized a $75 million charge in 2017 for F-Star Alpha's FS102 which was in Phase I development for the treatment of breast and gastric cancer and $160 million in 2015 for BMS-986020 which was in Phase II development for treatment of IPF. For discussion on IPRD impairments, refer to “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. The divestiture of our small molecule active pharmaceutical ingredient manufacturing operations in Swords, Ireland and sale of our R&D facility in Wallingford, Connecticut, resulted in $146 million and $79 million in impairment charges, respectively, to reduce the carrying value of assets held-for-sale to their fair value in 2017. Accelerated depreciation, impairment and other related charges for certain manufacturing and R&D facilities were $533 million in 2017, $104 million in 2016 and $115 million in 2015. Additional charges will continue to occur as a result of the Company's restructuring actions announced in the fourth quarter of 2016.

Assets Held-for-Sale

The following criteria is considered before concluding assets are classified as held-for-sale; 1) management's commitment to a plan to sell, 2) availability for immediate sale in its present condition, 3) initiation of an active program to identify a buyer, 4) probability of a completed sale within one year, 5) actively marketed for sale at a reasonable price in relation to its current fair value, and 6) likelihood of significant changes to the plan will be made or that the plan will be withdrawn. If all of the criteria is met as of the balance sheet date, the net assets are presented separately in the balance sheet as held-for-sale at the lower of its carrying amount or fair value less costs to sell and is no longer depreciated or amortized while classified as held-for-sale. For example, in evaluating the divestitures of our small molecule manufacturing operations in Swords, Ireland and our sale of our R&D facility in Wallingford, Connecticut, we concluded that all the necessary held-for-sale criteria were met in 2017 in a quarterly period prior to the completed sale. In evaluating the divestitures of the investigational HIV medicines business, the businesses comprising the alliances with Reckitt and Lilly, we concluded that all the necessary held-for-sale criteria were met in 2015.

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 $2.3 billion at December 31, 2017 (net of valuation allowances of $2.8 billion) and $4.3 billion at December 31, 2016 (net of valuation allowances of $3.1 billion).

The U.S. Federal net operating loss carryforwards were $317 million at December 31, 2017. 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 2018 (certain amounts have unlimited lives).

As discussed more fully in the Results of Operations section of this MD&A, tax charges attributed to the one-time deemed repatriation tax on certain foreign earnings of $2.6 billion were recognized in the fourth quarter of 2017. The accounting for this income tax effect of the Act was incomplete as of the issuance date of the financial statements as we did not have all of the necessary information available, prepared and analyzed to complete the accounting. However, we were able to make a reasonable estimate of this tax, which was recorded as a provisional amount. The provisional amount may change when completed in 2018 upon finalizing the 2017 taxable income, untaxed post-1986 foreign earnings and profits and related cash and certain eligible assets of the specified foreign corporations. The provisional amounts may also change if additional interpretations of the relevant tax code are released.

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 excess loss account (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 discussions on income taxes, refer to "Financial Statements—Note 1. Accounting Policies—Income Taxes" and "—Note 7. Income Taxes."

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 "Financial Statements—Note 1. Accounting Policies—Contingencies," "—Note 7. Income Taxes" and "—Note 18. Legal Proceedings and Contingencies."

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. *Opdivo* was the only investigational compound or marketed product that represented greater than 10% of our R&D expenses in the last three years. Our late-stage development programs could potentially have an impact on our revenue and earnings within the next few years if regulatory approvals are obtained and products are successfully commercialized. The following are the developments in our marketed products and our late-stage pipeline:

Product	Indication	Date	Developments
Opdivo	Biliary Tract Cancer	April 2017	BMS and Ono announced *Opdivo* was designated for the treatment of biliary tract cancer under the Sakigake Designation System in Japan, which offers priority consultation and review.
	cHL	December 2017	BMS and Seattle Genetics, Inc. highlighted an updated interim results from the Phase I/II study evaluating *Opdivo* and *Adcetris** in relapsed/refractory cHL. Interim results were previously highlighted in June.
		June 2017	BMS announced extended follow-up data from CheckMate-205, a Phase II study evaluating *Opdivo* in patients with relapsed or progressed cHL after autologous stem cell transplant.
		June 2017	BMS and Seattle Genetics, Inc. expanded their clinical collaboration to evaluate the combination of *Opdivo* and *Adcetris** (brentuximab vedotin) in a pivotal Phase III study in relapsed/refractory or transplant advanced cHL.
		April 2017	FDA approval for an updated indication for *Opdivo* for the treatment of adult patients with cHL that have relapsed or progressed after auto-HSCT and brentuximab vedotin, or three or more lines of systemic therapy that includes auto-HSCT.
	Gastric	September 2017	Approval in Japan for the treatment of unresectable advanced or recurrent gastric cancer which has progressed after chemotherapy, received by our alliance partner, Ono.
		January 2017	Announced results of ONO-4538-12, a Phase III study evaluating *Opdivo* in patients with previously treated advanced gastric cancer refractory to or intolerant of standard therapy. Ono, our alliance partner, conducted the study.
	GBM	April 2017	Announced CheckMate-143, a randomized Phase III study evaluating the efficacy and safety of *Opdivo* in patients with first recurrence of GBM did not meet its primary endpoint of improved overall survival over bevacizumab monotherapy.
	HCC	September 2017	FDA approval for the treatment of patients with HCC, a type of liver cancer, who have been previously treated with sorafenib.
	HNC	April 2017	EC approval for the treatment of SCCHN in adults progressing on or after platinum-based therapy.
		March 2017	Approval for the treatment of recurrent or metastatic HNC in Japan, received by our alliance partner, Ono.
	HPV	June 2017	Announced data from a cohort of the Phase I/II CheckMate-358 study evaluating *Opdivo* for the treatment of patients with advanced cervical, vaginal and vulvar cancers, all associated with infection by HPV.
	mCRC	August 2017	FDA approval for the treatment of adult and pediatric patients with MSI-H or dMMR mCRC that has progressed following treatment with a fluoropyrimidine, oxaliplatin and irinotecan.
	Melanoma	December 2017	FDA approval of injection for intravenous use for the adjuvant treatment of patients with melanoma with involvement of lymph nodes or metastatic disease who have undergone complete resection.
		October 2017	Announced the EMA validated its type II variation application which seeks to expand the current indications to include the treatment of patients with melanoma who are at high risk of disease recurrence following complete surgical resection.
		September 2017	Announced treatment with *Opdivo* resulted in significant improvement in recurrence-free survival compared to *Yervoy* in patients with stage IIIb/c or stage IV melanoma following complete surgical resection.
		July 2017	Announced a Phase III study evaluating *Opdivo* versus *Yervoy* in patients with stage IIIb/c or stage IV melanoma who are at high risk of recurrence following complete surgical resection met its primary endpoint of recurrence-free survival at a planned interim analysis.
		June 2017	Announced proof-of-concept data from the Phase I/IIa study for *Opdivo* in combination with BMS-986016, an investigational anti-LAG-3 therapy, in patients with advanced melanoma previously treated with anti-PD-1/PD-L1 therapy.
	mUC	June 2017	EC approval for the treatment of patients with previously treated locally advanced unresectable or mUC, a type of bladder cancer, in adults after failure of platinum-containing therapy.
		February 2017	FDA approval for the treatment of patients with previously treated locally advanced or metastatic urothelial carcinoma, a type of bladder cancer.
	Multiple Myeloma	December 2017	Announced the FDA lifted partial clinical holds placed on CheckMate-039 and CA204142, two clinical studies investigating *Opdivo* based combinations in patients with relapsed or refractory multiple myeloma.
		September 2017	Announced the FDA placed partial clinical holds on CheckMate-602, CheckMate-039 and CA204142, three clinical studies investigating *Opdivo* based combinations in patients with relapsed or refractory multiple myeloma. This partial clinical hold is related to risks identified in studies studying another anti-PD-1 agent, pembrolizumab, in patients with multiple myeloma.

Product	Indication	Date	Developments
Opdivo	NSCLC	November 2017	Announced Phase III study Checkmate-078, a multinational, randomized study evaluating *Opdivo* versus docetaxel in previously treated advanced or metastatic NSCLC, was stopped early having met its primary endpoint demonstrating superior overall survival. CheckMate-078 is a multinational Phase III study with predominately Chinese patients. BMS submitted a BLA for *Opdivo* to the China Food and Drug Administration (CFDA) for the proposed indication of previously treated NSCLC, which has been accepted by the CFDA.
		September 2017	Announced three-year overall survival data from CheckMate-017 and CheckMate-057, two pivotal Phase III randomized studies evaluating *Opdivo* vs. docetaxel in patients with previously treated metastatic NSCLC.
		April 2017	Announced five-year overall survival data from study CA209-003, a Phase I study evaluating *Opdivo* in patients with previously treated advanced NSCLC.
	RCC	November 2017	Announced a three-year overall survival update from CheckMate-025, a Phase III study evaluating *Opdivo* vs. everolimus in previously treated advanced RCC.
	Various	July 2017	BMS and Clovis Oncology, Inc. announced a clinical collaboration to evaluate the combination of *Opdivo* and *Rubraca** (rucaparib) in pivotal Phase III studies in advanced ovarian cancer and triple-negative breast cancer as well as a Phase II study in metastatic castration-resistant prostate cancer.
			Announced FDA accepted the Company's sBLAs to update *Opdivo* dosing to include 480 mg infused over 30 minutes every four weeks for all currently approved monotherapy indications. The FDA action date is March 5, 2018.
		April 2017	BMS and Incyte announced the companies will advance their clinical development program evaluating the combination of *Opdivo* with epacadostat into a Phase III registrational study in first-line NSCLC across the spectrum of PD-L1 expression and first-line HNC.
Opdivo+Yervoy	CRC	January 2018	Announced new data from CheckMate-142, a Phase II study evaluating *Opdivo* monotherapy or in combination with *Yervoy* for previously treated patients with dMMR or MSI-H metastatic CRC. Interim data had previously been announced in June 2017.
	Melanoma	June 2017	Announced efficacy data from CheckMate-204, a Phase II study evaluating *Opdivo+Yervoy* as a potential treatment for patients with melanoma metastatic to the brain.
		April 2017	Announced overall survival data from CheckMate-067, a Phase III study evaluating *Opdivo* alone or in combination with *Yervoy* in patients with previously untreated advanced melanoma.
	MPM	June 2017	Announced results from the IFCT-1501 MAPS-2 study evaluating *Opdivo* or *Opdivo* combined with *Yervoy* for previously treated unresectable MPM patients.
	NSCLC	February 2018	Announced that the pivotal Phase III CheckMate-227 study demonstrated superior progression-free survival with the combination of *Opdivo+Yervoy* versus chemotherapy in first-line NSCLC patients with high tumor mutation burden, regardless of PD-L1 expression. The study will continue as planned to assess the *Opdivo+Yervoy* combination for the co-primary endpoint of overall survival in patients who express PD-L1.
	RCC	December 2017	Announced FDA accepted the Company's sBLA's for priority review of *Opdivo+Yervoy* to treat intermediate and poor-risk patients with advanced RCC. The FDA action date is April 16, 2018. In November, announced results from a new exploratory analysis of PD-L1 expression subgroups of the Phase III CheckMate-214 study evaluating *Opdivo+Yervo*y vs. the standard of care, sunitinib, in intermediate- and poor-risk patients with previously untreated advanced or metastatic RCC.
		November 2017	Announced the EMA validated its type II variation application, which seeks to expand the current indications for *Opdivo+Yervoy* to include the treatment of intermediate- and poor-risk patients with advanced RCC.
		September 2017	Announced CheckMate-214, a Phase III study evaluating *Opdivo+Yervoy* versus sunitinib in patients with previously untreated advanced or metastatic RCC, met its co-primary endpoint, demonstrating superior overall survival in intermediate- and poor-risk patients. The combination also met a secondary endpoint of improved overall survival in all randomized patients. Based on a planned interim analysis, an independent Data Monitoring Committee has recommended that the study be stopped early.
		August 2017	Announced topline results from CheckMate-214. The combination of *Opdivo+Yervoy* met the co-primary endpoint of objective response rate and was favored in the co-primary endpoint of progression-free survival, however, it did not reach statistical significance.
		July 2017	BMS and Exelixis, Inc. announced the initiation of the Phase III CheckMate 9ER study to evaluate *Opdivo* in combination with *Cabometyx** (cabozantinib), Exelixis's small molecule inhibitor of receptor tyrosine kinases, or *Opdivo* and *Yervoy* in combination with *Cabometyx** versus sunitinib in patients with previously untreated, advanced or metastatic RCC.
	SCLC	October 2017	Announced data evaluating *Opdivo* and *Opdivo+Yervoy* in previously treated SCLC patients whose tumors were evaluable for tumor mutation burden from the Phase I/II CheckMate-032 study.
	Various	February 2017	BMS and Exelixis announced a clinical development collaboration to evaluate *Cabometyx** with *Opdivo*, either alone or in combination with *Yervoy*. The agreement is expected to include a Phase III study in first-line RCC with additional studies planned in bladder cancer, HCC and potentially other tumor types.

Product	Indication	Date	Developments
Eliquis	NVAF	August 2017	Announced results from a real-world data analysis of the U.S. Humana database, in which treatment with *Eliquis* was associated with a significantly lower risk of stroke/systemic embolism and lower rates of major bleeding compared to warfarin in patients aged 65 years and older with NVAF.
			Announced data from EMANATE, a Phase IV study, exploring the safety and efficacy of *Eliquis* in patients with NVAF undergoing cardioversion.
			Announced results from a real-world data analysis pooled from four large U.S. insurance claims databases, in which treatment with *Eliquis* was associated with a lower risk of stroke/systemic embolism and lower rates of major bleeding compared to warfarin for the overall population and for each of the selected high-risk patient sub-populations.
		March 2017	Announced findings from a real-world data analysis of the U.S. Medicare database comparing the risk of stroke or systemic embolism and rate of major bleeding among patients with non-valvular atrial fibrillation who were treated with direct oral anticoagulants versus warfarin.
Orencia	PsA	July 2017	EC approval for the treatment of active PsA in adults for whom the response to previous disease-modifying antirheumatic drug therapy, including methotrexate, has been inadequate, and additional systemic therapy for psoriatic skin lesions is not required.
			FDA approval for active PsA in adults, a chronic, inflammatory disease that can affect both the skin and musculoskeletal system.
	JIA	March 2017	FDA approval of a new subcutaneous administration option for use in patients two years of age and older with moderately to severely active polyarticular JIA.
Sprycel	ALL	December 2017	Announced data from the Phase II CA180-372 study in pediatric patients with newly diagnosed Philadelphia chromosome-positive ALL treated with *Sprycel* added to a chemotherapy regimen.
	CML	November 2017	FDA expanded the indication for *Sprycel* tablets to include the treatment of children with Philadelphia chromosome-positive CML in chronic phase.
		June 2017	Announced data from the Phase II CA180-226 study evaluating *Sprycel* in imatinib-resistant or -intolerant and newly diagnosed pediatric patients with chronic phase CML.
		May 2017	Announced the EMA validated its grouped Type II variation/extension of application to treat children and adolescents aged 1 year to 18 years with chronic phase Philadelphia chromosome positive CML and to include the powder for oral suspension.
Yervoy	Melanoma	January 2018	EC approval of an expanded indication for the treatment of unresectable or metastatic melanoma in pediatric patients 12 years of age and older.
		October 2017	Announced the FDA added five-year overall survival data from the Phase III CA184-029 study to the prescribing information for *Yervoy* for the adjuvant treatment of fully resected cutaneous melanoma with pathologic involvement of regional lymph nodes of more than 1 mm.
		July 2017	FDA approval of an expanded indication for the treatment of unresectable or metastatic melanoma in pediatric patients.
		June 2017	Announced relapse-free survival results from a Phase III study evaluating *Yervoy* 3 mg/kg and *Yervoy* 10mg/kg in patients with stage III or resectable stage IV melanoma who are at high risk of recurrence following complete surgical resection.
Empliciti	Multiple Myeloma	June 2017	Announced four-year follow-up data from a Phase III study evaluating *Empliciti* plus lenalidomide/dexamethasone vs. lenalidomide/dexamethasone alone in patients with relapsed/refractory multiple myeloma.
Hepatitis C Franchise	HCV	April 2017	China FDA approval of the *Daklinza* and *Sunvepra* regimen for treatment-naive or experienced patients infected with genotype 1b chronic HCV. In addition, *Daklinza* was approved in China for combination use with other agents, including sofosbuvir, for adult patients with HCV genotypes 1-6 infection.
Prostvac*	Prostate Cancer	September 2017	Bavarian Nordic A/S announced an independent Data Monitoring Committee determined that the continuation of the Phase III PROSPECT study of *Prostvac** in patients with metastatic castration-resistant prostate cancer is futile.

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 in our most recently filed Annual Report on Form 10-K, particularly under "Item 1A. Risk Factors," that we believe could cause actual results to differ materially from any forward-looking statement.

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Foreign Exchange Risk

Significant amounts of our revenues, earnings and cash flow are exposed to changes in foreign currency rates. Our primary net foreign currency translation exposures are the euro and Japanese yen. Foreign currency forward contracts are used to manage risk primarily arising from certain intercompany purchase transactions; we are also 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 are used to offset these exposures but 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 $175 million at December 31, 2017, 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 “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 to provide an appropriate balance of fixed and floating rate debt. 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 $25 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 $569 million. Our marketable securities are subject to changes in fair value as a result of interest rate fluctuations and other market factors. We estimate that an increase of 100 basis points in interest rates would decrease the fair value of our debt investments by approximately $70 million.

Credit Risk

We monitor our investments with counterparties with the objective of minimizing concentrations of credit risk. Our investment policy is to invest only in institutions that meet high credit quality standards and 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 if the counterparty fails to perform when the fair value of a derivative instrument contract is positive. If the counterparty fails to perform, 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 “Financial Statements—Note 9. Financial Instruments and Fair Value Measurements.”

CONSOLIDATED STATEMENTS OF EARNINGS

Dollars and Shares in Millions, Except Per Share Data

	Year Ended December 31,		
EARNINGS	**2017**	2016	2015
Net product sales	**$ 19,258**	$ 17,702	$ 14,045
Alliance and other revenues	**1,518**	1,725	2,515
Total Revenues	**20,776**	19,427	16,560
Cost of products sold	**6,066**	4,946	3,909
Marketing, selling and administrative	**4,687**	4,911	4,841
Research and development	**6,411**	4,940	5,920
Other income (net)	**(1,519)**	(1,285)	(187)
Total Expenses	**15,645**	13,512	14,483
Earnings Before Income Taxes	**5,131**	5,915	2,077
Provision for Income Taxes	**4,156**	1,408	446
Net Earnings	**975**	4,507	1,631
Noncontrolling Interest	**(32)**	50	66
Net Earnings Attributable to BMS	**$ 1,007**	$ 4,457	$ 1,565
Earnings per Common Share			
Basic	**$ 0.61**	$ 2.67	$ 0.94
Diluted	**0.61**	2.65	0.93
Cash dividends declared per common share	**$ 1.57**	$ 1.53	$ 1.49

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Dollars in Millions

	Year Ended December 31,		
COMPREHENSIVE INCOME	**2017**	2016	2015
Net Earnings	**$ 975**	$ 4,507	$ 1,631
Other Comprehensive Income/(Loss), net of taxes and reclassifications to earnings:			
Derivatives qualifying as cash flow hedges	**(57)**	4	(51)
Pension and postretirement benefits	**214**	(17)	101
Available-for-sale securities	**39**	16	(54)
Foreign currency translation	**18**	(38)	(39)
Total Other Comprehensive Income/(Loss)	**214**	(35)	(43)
Comprehensive Income	**1,189**	4,472	1,588
Comprehensive Income/(Loss) Attributable to Noncontrolling Interest	**(32)**	50	66
Comprehensive Income Attributable to BMS	**$ 1,221**	$ 4,422	$ 1,522

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

CONSOLIDATED BALANCE SHEETS

Dollars in Millions, Except Share and Per Share Data

	December 31,	
ASSETS	**2017**	2016
Current Assets:		
Cash and cash equivalents	**$ 5,421**	$ 4,237
Marketable securities	**1,391**	2,113
Receivables	**6,300**	5,543
Inventories	**1,166**	1,241
Prepaid expenses and other	**576**	570
Total Current Assets	**14,854**	13,704
Property, plant and equipment	**5,001**	4,980
Goodwill	**6,863**	6,875
Other intangible assets	**1,210**	1,385
Deferred income taxes	**1,610**	2,996
Marketable securities	**2,480**	2,719
Other assets	**1,533**	1,048
Total Assets	**$ 33,551**	$ 33,707
LIABILITIES		
Current Liabilities:		
Short-term debt obligations	**$ 987**	$ 992
Accounts payable	**2,248**	1,664
Accrued liabilities	**6,014**	5,271
Deferred income	**83**	762
Income taxes payable	**231**	152
Total Current Liabilities	**9,563**	8,841
Deferred income	**454**	547
Income taxes payable	**3,548**	973
Pension and other liabilities	**1,164**	1,283
Long-term debt	**6,975**	5,716
Total Liabilities	**21,704**	17,360
Commitments and contingencies		
EQUITY		
Bristol-Myers Squibb Company Shareholders' Equity:		
Preferred stock, $2 convertible series, par value $1 per share: Authorized 10 million shares; issued and outstanding 4,070 in 2017 and 4,129 in 2016, liquidation value of $50 per share	**—**	—
Common stock, par value of $0.10 per share: Authorized 4.5 billion shares; 2.2 billion issued in both 2017 and 2016	**221**	221
Capital in excess of par value of stock	**1,898**	1,725
Accumulated other comprehensive loss	**(2,289)**	(2,503)
Retained earnings	**31,160**	33,513
Less cost of treasury stock — 575 million common shares in 2017 and 536 million in 2016	**(19,249)**	(16,779)
Total Bristol-Myers Squibb Company Shareholders' Equity	**11,741**	16,177
Noncontrolling interest	**106**	170
Total Equity	**11,847**	16,347
Total Liabilities and Equity	**$ 33,551**	$ 33,707

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Dollars in Millions

	Year Ended December 31,		
	2017	2016	2015
Cash Flows From Operating Activities:			
Net earnings	**$ 975**	$ 4,507	$ 1,631
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization, net	**789**	382	376
Deferred income taxes	**1,010**	(204)	(347)
Stock-based compensation	**199**	205	235
Impairment charges	**332**	108	192
Pension settlements and amortization	**236**	169	245
Divestiture gains and royalties	**(706)**	(1,187)	(490)
Asset acquisition charges	**760**	274	983
Other adjustments	**92**	(44)	15
Changes in operating assets and liabilities:			
Receivables	**(431)**	(803)	(942)
Inventories	**(29)**	(152)	97
Accounts payable	**320**	104	(919)
Deferred income	**(642)**	(64)	218
Income taxes payable	**2,597**	(453)	194
Other	**(227)**	216	617
Net Cash Provided by Operating Activities	**5,275**	3,058	2,105
Cash Flows From Investing Activities:			
Sale and maturities of marketable securities	**6,412**	4,809	2,794
Purchase of marketable securities	**(5,437)**	(3,089)	(3,143)
Capital expenditures	**(1,055)**	(1,215)	(820)
Divestiture and other proceeds	**722**	1,334	708
Acquisition and other payments	**(708)**	(359)	(1,111)
Net Cash Provided by/(Used in) Investing Activities	**(66)**	1,480	(1,572)
Cash Flows From Financing Activities:			
Short-term debt obligations, net	**727**	125	(449)
Issuance of long-term debt	**1,488**	—	1,268
Repayment of long-term debt	**(1,224)**	(15)	(1,957)
Repurchase of common stock	**(2,469)**	(231)	—
Dividends	**(2,577)**	(2,547)	(2,477)
Other	**(22)**	15	(9)
Net Cash Used in Financing Activities	**(4,077)**	(2,653)	(3,624)
Effect of Exchange Rates on Cash and Cash Equivalents	**52**	(33)	(95)
Increase/(Decrease) in Cash and Cash Equivalents	**1,184**	1,852	(3,186)
Cash and Cash Equivalents at Beginning of Year	**4,237**	2,385	5,571
Cash and Cash Equivalents at End of Year	**$ 5,421**	$ 4,237	$ 2,385

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 2017 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; 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 consolidated statement of cash flows previously presented interest rate swap contract terminations and issuance of common stock as separate line items within cash flows from financing activities which are now presented as components of other financing activities. The reclassifications provide a more concise financial statements presentations and additional information is disclosed in the notes if material.

Revenue Recognition

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

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

Income Taxes

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

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

Cash and Cash Equivalents

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

Marketable Securities and Investments in Other Companies

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

Investments in 50% or less owned companies are accounted for using the equity method of accounting when the ability to exercise significant influence is maintained. The share of net income or losses of equity investments is included in other income (net). 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 acquired 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 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. Impairment charges are recognized to the extent the carrying value of IPRD is determined to exceed its fair value.

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 reduce the number of 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 government investigations, shareholder lawsuits, product and environmental liability, contractual claims, tax and other 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.

Advertising and Product Promotion Costs

Advertising and product promotion costs are included in marketing, selling and administrative expenses and were $740 million in 2017, $789 million in 2016 and $825 million in 2015. 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. Research and development costs are presented net of reimbursements from alliance partners. Upfront and contingent milestone payments for asset acquisitions of investigational compounds are also included in research and development expenses if there are no alternative future uses.

Cash Flow

Payments for licensing and asset acquisitions of investigational compounds are included in operating activities as well as out-licensing proceeds. Payments for the acquisition of an ownership interest in a legal entity, including acquisitions that do not meet the accounting definition of a business are included in investing activities, as well as divestiture proceeds, 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 Adopted Accounting Standards

Share-based Payment Transactions

Amended guidance for share-based payment transactions was adopted in the first quarter of 2017. Net excess tax benefits of $39 million in 2017 were recognized prospectively as a reduction of tax expense rather than capital in excess of par value of stock. Net excess tax benefits are also presented as an operating cash flow rather than a financing cash flow, and cash payments to tax authorities in connection with shares withheld for statutory tax withholding requirements are presented as a financing cash flow rather than an operating cash flow. The changes in cash flow presentation were applied retrospectively and increased operating cash flows and decreased financing cash flows by $125 million, $208 million and $273 million in 2017, 2016 and 2015, respectively.

Income Tax Accounting for Intra-entity Transfers of Assets Other Than Inventory

Amended guidance on income tax accounting for intra-entity transfers of assets other than inventory was early adopted in the first quarter of 2017 on a modified retrospective approach. The amended guidance requires tax consequences of these transfers be recognized in the period the transfer takes place. Net reductions to prepaid and deferred tax assets pertaining to pre-2017 internal transfers of intellectual property of $787 million were adjusted through retained earnings as a cumulative effect of an accounting change which will reduce the annual tax expense by $86 million beginning in 2017. In addition, the tax consequences of additional internal transfers of intellectual property that may occur in the future will be included in income tax expense upon transfer and not amortized in subsequent periods.

Recently Issued Accounting Standards

Revenue from Contracts with Customers

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

The Company's assessment of the new standard's impact is substantially complete. The timing of recognizing revenue is not expected to change for typical net product sales to customers, most existing alliance arrangements as well as royalties and sale-based milestones from out-licensing arrangements. In addition, the timing of recognizing royalties, sales-based milestones and other forms of contingent consideration resulting from the divestiture of businesses is not expected to change.

However, transaction prices are no longer required to be fixed or determinable and certain variable consideration might be recognized prior to the occurrence or resolution of the contingent event to the extent it is probable that a significant reversal in the amount of estimated cumulative revenue will not occur. Certain estimated future royalties and termination fees for licensing rights previously reacquired by alliance partners are expected to be recognized as contract assets upon adoption of the new standard. Refer to the Sanofi and Lilly arrangements in "—Note 3. Alliances". As a result of the new guidance and cumulative effect adjustment, revenue and other income is expected to be lower in 2018 by approximately $200 million and $125 million, respectively, compared to what would have been reported under the previous standard. No significant changes to business processes, systems and controls are expected to be required.

Gains and Losses from the Derecognition of Nonfinancial Assets

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

Presentation of Net Periodic Pension and Postretirement Benefits

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

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

	Year Ended December 31,			
	2017		2016	
Dollars in Millions	As Reported	As Adjusted	As Reported	As Adjusted
Cost of products sold	**$ 6,066**	**$ 6,092**	$ 4,946	$ 4,967
Marketing, selling and administrative	**4,687**	**4,733**	4,911	4,960
Research and development	**6,411**	**6,474**	4,940	5,005
Other income (net)	**(1,519)**	**(1,654)**	(1,285)	(1,420)

Definition of a Business

Amended guidance that revises the definition of a business will be adopted prospectively in the first quarter of 2018. 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, an integrated set of assets and activities would not represent a business. If the screen is not met, the set must include an input and a substantive process that together significantly contribute to the ability to create outputs for the set to represent a business. The amendment also narrows the definition of the term output and requires the transfer of an organized work force when outputs do not exist. The amended guidance may result in more transactions being accounted for as assets in the future with the impact to our results of operations dependent on the individual facts and circumstances of each transaction.

Recognition and Measurement of Financial Assets and Liabilities

Amended guidance for the recognition, measurement, presentation and disclosures of financial instruments will be adopted prospectively in the first quarter of 2018. 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 based upon observable price changes and a charge through earnings if an impairment exists. The amended guidance is not expected to materially impact the Company's results of operations based upon the current equity investment portfolio.

Accounting for Hedging Activities

Amended guidance for derivatives and hedging will be adopted in the first quarter of 2018 on a modified retrospective approach. The amended guidance revises and expands items eligible for hedge accounting, simplifies hedge effectiveness testing and changes the timing of recognition and presentation for certain hedged items. Certain disclosure requirements are also modified for hedging activities on a prospective basis. The amended guidance is not expected to materially impact the Company's results of operations.

Leases

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 January 1, 2019 with early adoption permitted on a modified retrospective approach. We intend to elect the available practical expedients on adoption. While our assessment of the amended standard remains ongoing, including our continued implementation of a leasing software system procured from a 3rd party vendor and evaluation of potential changes and enhancements to internal controls, we have substantially completed our lease information data gathering and lease data extraction processes and believe our overall implementation efforts remain on schedule. However, system readiness remains a critical factor in ensuring successful adoption on January 1, 2019. The undiscounted value of lease obligations is approximately $800 million as of December 31, 2017, consisting primarily of facility leases accounted for as operating leases. The initial right-of-use asset and lease liability amounts in the balance sheets upon adoption will be subject to several factors including the lease portfolio at the date of adoption, selection of an appropriate discount rate and determining the fixed lease components and lease renewal periods reasonably certain to occur. The amended guidance is not expected to materially impact the Company's results of operations other than the recognition of the right of use asset and lease liability.

Goodwill Impairment Testing

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 on January 1, 2020, with early adoption permitted for interim or annual goodwill impairment tests performed after January 1, 2017. The amended guidance is not expected to materially impact the Company's results of operations.

Financial Instruments - Measurement of Credit Losses

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 January 1, 2020 with early adoption permitted in 2019 on a modified retrospective approach. The amended guidance is not expected to materially impact 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:

	2017	2016	2015
McKesson Corporation	**24%**	22%	21%
AmerisourceBergen Corporation	**18%**	18%	16%
Cardinal Health, Inc.	**15%**	14%	12%

Selected geographic area information was as follows:

	Revenues			Property, Plant and Equipment	
Dollars in Millions	2017	2016	2015	2017	2016
United States	**$ 11,358**	$ 10,720	$ 8,188	**$ 3,617**	$ 3,865
Europe	**4,988**	4,215	3,491	**1,266**	1,003
Rest of the World[(a)]	**3,877**	3,964	4,142	**118**	112
Other[(b)]	**553**	528	739	**—**	—
Total	**$ 20,776**	$ 19,427	$ 16,560	**$ 5,001**	$ 4,980

(a) Includes Japan which represented 7%, 7% and 10% of total revenues in 2017, 2016 and 2015, respectively.
(b) Other revenues include royalties and alliance-related revenues for products not sold by our regional commercial organizations.

Product revenues and the composition of total revenues were as follows:

	Year Ended December 31,		
Dollars in Millions	2017	2016	2015
Prioritized Brands			
Opdivo	**$ 4,948**	$ 3,774	$ 942
Eliquis	**4,872**	3,343	1,860
Orencia	**2,479**	2,265	1,885
Sprycel	**2,005**	1,824	1,620
Yervoy	**1,244**	1,053	1,126
Empliciti	**231**	150	3
Established Brands			
Baraclude	**1,052**	1,192	1,312
Sustiva Franchise	**729**	1,065	1,252
Reyataz Franchise	**698**	912	1,139
Hepatitis C Franchise	**406**	1,578	1,603
Other Brands	**2,112**	2,271	3,818
Total Revenues	**$ 20,776**	$ 19,427	$ 16,560
Net product sales	**$ 19,258**	$ 17,702	$ 14,045
Alliance revenues	**1,294**	1,629	2,408
Other revenues	**224**	96	107
Total Revenues	**$ 20,776**	$ 19,427	$ 16,560

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. Products sold through alliance arrangements in certain markets include *Opdivo*, *Eliquis*, *Orencia, Sprycel*, *Yervoy*, *Empliciti*, and *Sustiva* (*Atripla**) and certain other brands.

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 expected period of BMS's co-promotion obligation through the market exclusivity period 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 (net) 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 (net).
- All payments between BMS and its alliance partners are presented in cash flows from operating activities, except as otherwise described below.

Selected financial information pertaining to our alliances was as follows, including net product sales when BMS is the principal in the third-party customer sale for products subject to the alliance. Expenses summarized below do not include all amounts attributed to the activities for the products in the alliance, but only the payments between the alliance partners or the related amortization if the payments were deferred or capitalized.

	Year Ended December 31,		
Dollars in Millions	**2017**	2016	2015
Revenues from alliances:			
Net product sales	**$ 6,949**	$ 5,568	$ 4,308
Alliance revenues	**1,294**	1,629	2,408
Total Revenues	**$ 8,243**	$ 7,197	$ 6,716
Payments to/(from) alliance partners:			
Cost of products sold	**$ 2,723**	$ 2,129	$ 1,655
Marketing, selling and administrative	**(58)**	(28)	15
Research and development	**2**	56	693
Other income (net)	**(731)**	(1,009)	(733)
Noncontrolling interest, pretax	**12**	16	51

Selected Alliance Balance Sheet Information:	December 31,	
Dollars in Millions	**2017**	2016
Receivables – from alliance partners	**$ 522**	$ 903
Accounts payable – to alliance partners	**878**	555
Deferred income from alliances[(a)]	**467**	1,194

(a) Includes unamortized upfront, milestone and other licensing proceeds, revenue deferrals attributed to *Atripla*® and undelivered elements of diabetes business divestiture proceeds. Amortization of deferred income (primarily related to alliances) was $83 million in 2017, $244 million in 2016 and $307 million in 2015.

Upfront payments for new licensing and alliance agreements (including options to license or acquire the related assets) charged to research and development expenses were $41 million in 2017, $15 million in 2016 and $619 million in 2015.

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 jointly develop and commercialize *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 a sales based fee.

Co-exclusive license rights were granted to Pfizer in exchange for an upfront payment and potential milestone payments. Both parties assumed certain obligations to 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 price 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 expected period of BMS's co-promotion obligation through the market exclusivity period. BMS received $884 million in non-refundable upfront, milestone and other licensing payments related to *Eliquis* through December 31, 2017. 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, 2017	2016	2015
Revenues from Pfizer alliance:			
Net product sales	$ 4,808	$ 3,306	$ 1,849
Alliance revenues	64	37	11
Total Revenues	$ 4,872	$ 3,343	$ 1,860
Payments to/(from) Pfizer:			
Cost of products sold – Profit sharing	$ 2,314	$ 1,595	$ 895
Other income (net) – Amortization of deferred income	(55)	(55)	(55)

Selected Alliance Balance Sheet Information: Dollars in Millions	December 31, 2017	2016
Deferred income	$ 466	$ 521

Gilead

BMS and Gilead formed a joint venture in the U.S. and Canada and another joint venture in Europe to develop and commercialize a combination product named *Atripla*®, which combines BMS's *Sustiva* with Gilead's *Truvada*®. The two joint ventures are consolidated by Gilead.

In December 2017, Gilead terminated BMS's participation in the U.S. and Canada joint venture following the launch of a generic version of *Sustiva* by a third-party in the U.S. As a result, deferred income and alliance receivables attributed to *Sustiva* product held by the joint venture at December 31, 2017 was reduced by $438 million to reflect the post-termination selling price. In addition BMS is entitled to a fee equal to 55% of *Atripla*® U.S. 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 2018. The fee is reduced to 35% in 2019 and 15% in 2020, of *Atripla*® U.S. net sales multiplied by the ratio described above. BMS will continue to supply *Sustiva* at cost plus a markup to Gilead during this three-year period unless either party elects to terminate the supply arrangement.

Prior to the termination of BMS's participation in the U.S. joint venture, both parties actively participated in a joint executive committee and various other operating committees with direct oversight over the activities of the joint venture. The joint venture purchased *Sustiva* and *Truvada*® API in bulk form from the parties and completed the finishing of *Atripla*®. The joint venture distributed *Atripla*® and was the principal in the end customer product sales. BMS recorded the bulk efavirenz component of *Atripla*® as alliance revenue which was based on the relative ratio of the average respective net selling prices of *Truvada*® and *Sustiva*. Alliance revenue and the related alliance receivable was not recognized until *Atripla*® was sold to third-party customers.

The joint venture in Europe was accounted for by BMS and continues to operate in a similar manner described above except that Gilead distributes *Atripla*®, is the principal in the end customer product sales and the parties no longer coordinate joint promotional activities. The European joint venture will continue until either party terminates the arrangement or the last patent expires that allows market exclusivity to *Atripla*®.

Summarized financial information related to this alliance was as follows:

Dollars in Millions	Year Ended December 31, 2017	2016	2015
Revenues from Gilead alliances:			
Alliance revenues	$ 623	$ 934	$ 1,096
Equity in net loss of affiliates	$ 13	$ 12	$ 17

Selected Alliance Balance Sheet Information: Dollars in Millions	December 31, 2017	2016
Deferred income	$ —	$ 634

Otsuka

BMS and Otsuka co-promote *Sprycel* in the U.S., Japan and the EU (the Oncology Territory). 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 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) through 2020:

	% of Net Sales
$0 to $400 million	65%
$400 million to $600 million	12%
$600 million to $800 million	3%
$800 million to $1.0 billion	2%
In excess of $1.0 billion	1%

BMS also had 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 and the EU portion expired in June 2014. In other countries where we had the exclusive right to sell *Abilify**, expiration occurred on a country-by-country basis with the last expiration in Canada in January, 2018.

Both parties actively participated in joint executive governance and operating committees. Otsuka was responsible for providing all sales force efforts in 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. BMS provided other services including distribution, customer management and pharmacovigilance. BMS was the principal for the end customer product sales where it was the exclusive distributor for or had 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 was recorded for BMS's share of net sales to third-party customers in the U.S. and EU when *Abilify** was shipped and all risks and rewards of ownership transferred to third-party customers.

Summarized financial information related to this alliance was as follows:

	Year Ended December 31,		
Dollars in Millions	**2017**	2016	2015
Revenues from Otsuka alliances:			
Net product sales	**$ 1,814**	$ 1,670	$ 1,501
Alliance revenues	**7**	2	604
Total Revenues	**$ 1,821**	$ 1,672	$ 2,105
Payments to/(from) Otsuka:			
Cost of products sold:			
Oncology fee	**$ 299**	$ 304	$ 299
Royalties	**11**	10	30
Cost of product supply	**31**	30	35

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 are 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 $207 million in 2017, $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 $17 million in 2017, $19 million in 2016 and $14 million in 2015. As a result of the adoption of ASC 606 in the first quarter of 2018, estimated future royalties resulting from the transfer of rights to Merck KGaA will be recorded as a cumulative effect adjustment in retained earnings. Subsequent changes in estimates will be recorded in other income (net).

Summarized financial information related to this alliance was as follows:

	Year Ended December 31,		
Dollars in Millions	**2017**	2016	2015
Revenues from Lilly alliance:			
Net product sales	**$ —**	$ —	$ 492
Alliance revenues	**—**	—	9
Total revenues	**$ —**	**$ —**	$ 501
Cost of products sold	**$ —**	$ —	$ 261
Other income (net):			
Royalties	**(224)**	(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.

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 was obligated to supply certain products; to perform ongoing development activities for certain clinical study programs; 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:

	2015	2016	2017	2018	2019	2020	2021 - 2025
*Onglyza** and *Farxiga** Worldwide Net Sales up to $500 million	35%	27%	12%	20%	22%	25%	14% - 20%
*Onglyza** and *Farxiga** Worldwide Net Sales over $500 million	7%	9%	12%	20%	22%	25%	14% - 20%
Amylin products U.S. Net Sales	2%	2%	5%	10%	12%	12%	5% - 10%

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 $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. Contingent consideration of $100 million was received in 2017 from AstraZeneca upon achievement of a regulatory approval milestone resulting in an additional gain.

Consideration allocated to the development and supply agreements was amortized over the applicable service periods. Amortization of deferred income attributed to the development agreement ended in December 2016 and was included in other income as the sale of these services was not considered part of BMS's ongoing major or central operations. Amortization of deferred income attributed to the supply agreement ended in December 2017 and was recorded in alliance revenues. 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 $97 million in 2017 and $134 million in 2016.

In November 2017, BMS transferred a percentage of its future royalty rights on a portion of *Onglyza** and *Farxiga** net product sales to Royalty Pharma. The transferred rights represent approximately 20% to 25% of potential future royalties BMS is entitled to for those products in 2020 to 2025. In exchange for the transfer, BMS will receive an additional tiered-based royalty on *Onglyza** and *Farxiga** net product sales from Royalty Pharma in 2018 and 2019, which will be presented in other income when earned.

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

	Year Ended December 31,		
Dollars in Millions	**2017**	2016	2015
Revenues from AstraZeneca alliances:			
Net product sales	**$ 6**	$ —	$ 14
Alliance revenues	**125**	129	182
Total Revenues	**$ 131**	$ 129	$ 196
Other income (net):			
Amortization of deferred income	**$ —**	$ (113)	$ (105)
Royalties	**(228)**	(227)	(215)
Transitional services	**(12)**	(7)	(12)
Divestiture gain	**(126)**	—	(82)
Selected Alliance Cash Flow Information:			
Deferred income	**—**	19	34
Divestiture and other proceeds	**302**	216	374

Selected Alliance Balance Sheet Information:	December 31,	
Dollars in Millions	**2017**	2016
Deferred income – Services not yet performed for AstraZeneca	**$ —**	$ 38

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. As a result of the adoption of ASC 606 in 2018, future royalties will no longer be recorded in alliance revenues and will be recorded as a cumulative effect adjustment in the first quarter of 2018 with a corresponding contract asset. In addition, a portion of the terminal payment will be recorded as a cumulative effect adjustment in the first quarter of 2018 with a corresponding contract asset.

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 $200 million in 2017, $195 million in 2016 and $211 million in 2015. 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.

Summarized financial information related to this alliance was as follows:

	Year Ended December 31,		
Dollars in Millions	**2017**	2016	2015
Revenues from Sanofi alliances:			
Net product sales	**$ 27**	$ 38	$ 110
Alliance revenues	**207**	200	296
Total Revenues	**$ 234**	$ 238	$ 406
Payments to/(from) Sanofi:			
Equity in net income of affiliates	**$ (95)**	$ (95)	$ (104)
Noncontrolling interest – pretax	**12**	16	51

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

	Year Ended December 31,		
Dollars in Millions	**2017**	2016	2015
Net sales	**$ 231**	$ 235	$ 257
Gross profit	**192**	195	213
Net income	**189**	192	209

Ono

BMS is the principal in the end customer product sales and has the exclusive right to develop, manufacture and commercialize *Opdivo* worldwide except in Japan, South Korea and Taiwan. Ono is entitled to receive royalties of 4% in North America and 15% in all territories excluding the three countries listed above, subject to customary adjustments.

BMS and Ono jointly develop and commercialize *Opdivo*, *Yervoy* and several BMS investigational compounds in Japan, South Korea and Taiwan. 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 jointly develop and 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 when a sale is made to the other party's assigned customer.

In 2017, Ono granted BMS an exclusive license for the development and commercialization of ONO-4578, Ono's Prostaglandin E2 receptor 4 antagonist. BMS acquired worldwide rights except in Japan, South Korea, and Taiwan where it was added to the existing collaboration and in China and ASEAN countries where Ono retained exclusive rights. BMS paid $40 million to Ono, which was included in R&D expense in 2017. Ono is eligible to receive subsequent clinical, regulatory and sales-based milestone payments of up to $480 million and royalties in countries where BMS has exclusive licensing rights.

Summarized financial information related to this alliance was as follows:

Dollars in Millions	Year Ended December 31, 2017	2016	2015
Revenues from Ono alliances:			
Net product sales	**$ 145**	$ 147	$ 113
Alliance revenues	**268**	280	61
Total Revenues	**$ 413**	$ 427	$ 174

AbbVie

BMS was granted exclusive global rights to co-develop and commercialize *Empliciti,* a humanized monoclonal antibody for the treatment of multiple myeloma from PDL BioPharma, Inc. (now part of AbbVie). AbbVie currently participates in joint development and U.S. commercialization committees in which BMS has final decision making authority. Both parties jointly develop the product and AbbVie funds 20% of global development costs. BMS is solely responsible for supply, distribution and sales and marketing activities 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 outside of the U.S. BMS paid AbbVie $140 million for certain regulatory milestone events including $52 million for approval milestones through December 31, 2017. AbbVie is also entitled to receive an additional $120 million if certain regulatory events occur and $200 million if certain sales thresholds are achieved. The agreement may be terminated immediately by BMS or by either party for material breaches (subsequent to a notice period).

Summarized financial information related to this alliance was as follows:

Dollars in Millions	Year Ended December 31, 2017	2016	2015
Revenues from AbbVie alliance:			
Net product sales	**$ 150**	$ 132	$ 3
Payments to/(from) AbbVie:			
Cost of products sold – Profit sharing	**$ 41**	$ 34	$ 1

F-Star Alpha

In October 2014, BMS acquired an exclusive option to purchase F-Star Alpha and its lead asset FS102, an anti-HER2 antibody fragment, in development for the treatment of breast and gastric cancer among a well-defined population of HER2-positive patients. In 2017, BMS discontinued development of FS102 and did not exercise its option, resulting in an IPRD charge of $75 million included in R&D expense and attributed to noncontrolling interest.

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 delivery of Phase II data following either of the IPF or MF Phase II clinical studies being directed by Promedior. 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 was amortized over the expected period of the Phase II studies. The allocation was determined using Level 3 inputs. BMS is obligated to pay an additional $250 million, plus additional aggregate consideration of up to $850 million for contingent development and regulatory approval milestone payments in the U.S. and Europe if it exercises the warrant.

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, currently in Phase I and II development for IO indications and Phase II development for PVNS. Five Prime is responsible for the completion of a Phase I study combining cabiralizumab with *Opdivo* as a potential treatment for a variety of cancers. BMS is responsible for development, manufacturing and commercialization activities. Five Prime may 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 transferred to Reckitt the right to sell, distribute and market several OTC brands sold primarily in Mexico and Brazil 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.

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.

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

Summarized financial information related to this alliance was as follows:

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

The Medicines Company

In February 2013, BMS transferred to The Medicines Company the right to sell, distribute and market *Recothrom*® on a global basis for two years. 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 in February 2015 and acquired the business for $132 million resulting in a $59 million divestiture gain.

Valeant

In October 2012, BMS transferred to PharmaSwiss SA, a wholly-owned subsidiary of Valeant the right to sell, distribute, and market the certain mature brand products in Europe through December 31, 2014.

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 in January 2015 and acquired the business for $61 million resulting in an $88 million divestiture gain.

Note 4 ACQUISITIONS, DIVESTITURES AND LICENSING ARRANGEMENTS

Acquisitions

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

Dollars in Millions	Year	Upfront Payment	R&D Expense	Deferred Tax Assets[a]	Contingent Consideration
IFM[b]	**2017**	**$ 325**	**$ 311**	**$ 14**	**$ 2,020**
Cormorant	2016	$ 35	$ 35	$ —	$ 485
Padlock	2016	150	139	11	453
		$ 185	$ 174	$ 11	$ 938
Cardioxyl	2015	$ 200	$ 167	$ 33	$ 1,875
Flexus[c]	2015	814	800	14	450
		$ 1,014	$ 967	$ 47	$ 2,325

(a) Relates to net operating loss and tax credit carryforwards.

(b) Includes $25 million for certain negotiation rights to collaborate, license or acquire an NLRP3 antagonist program from a newly formed entity established by the former shareholders of IFM.

(c) Includes $14 million of acquisition costs.

IFM

In 2017, BMS acquired all of the outstanding shares of IFM, a private biotechnology company focused on developing therapies that modulate novel targets in the innate immune system to treat cancer, autoimmunity and inflammatory diseases. The acquisition provided BMS with full rights to IFM's preclinical STING and NLRP3 agonist programs focused on enhancing the innate immune response for treating cancer. Contingent consideration includes development, regulatory and sales-based milestone payments. BMS may pay up to $555 million in additional contingent milestones for any subsequent products selected from IFM's preclinical STING and NLRP3 agonist programs which is not included in the contingent consideration amount in the table above.

Cormorant

In 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 provided 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 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 provided 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 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, of which $100 million was included in R&D expense in 2017 following the commencement of a Phase II clinical study.

Flexus

In 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 of which $350 million and $100 million were included in R&D expense in 2017 and 2016, respectively, following the commencement of Phase I, Phase II, and Phase III clinical studies.

Divestitures

	Proceeds[a]			Divestiture (Gains) / Losses			Royalty (Income)		
Dollars in Millions	**2017**	2016	2015	**2017**	2016	2015	**2017**	2016	2015
Investigational HIV medicines	**$ —**	$ 387	$ —	**$ (11)**	$ (272)	$ —	**$ —**	$ —	$ —
OTC brands (Reckitt)	**—**	317	—	**—**	(277)	—	**—**	—	—
Diabetes	**405**	333	374	**(126)**	—	(82)	**(329)**	(361)	(215)
*Erbitux**	**218**	252	9	**—**	—	171	**(224)**	(246)	(70)
*Recothrom**	**—**	—	132	**—**	—	(59)	**—**	—	—
Mature brand products (Valeant)	**—**	—	61	**—**	—	(88)	**—**	—	—
*Ixempra**	**4**	13	113	**—**	—	(88)	**(4)**	(11)	(8)
Other	**24**	15	8	**(24)**	(15)	(48)	**—**	—	—
	$ 651	$ 1,317	$ 697	**$ (161)**	$ (564)	$ (194)	**$ (557)**	$ (618)	$ (293)

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

SK Biotek

In 2017, BMS sold its small molecule active pharmaceutical ingredient manufacturing operations in Swords, Ireland to SK Biotek for approximately $165 million, subject to certain adjustments. Initial proceeds of $158 million were received in the first quarter of 2018. The transaction was accounted for as the sale of a business. The divestiture includes the transfer of the facility, the majority of employees at the site, inventories and certain third-party contract manufacturing obligations. The assets were reduced to their estimated relative fair value after considering the purchase price resulting in an impairment charge of $146 million that was included in cost of products sold. SK Biotek will provide certain manufacturing services for BMS through 2022.

ViiV Healthcare

In 2016, BMS sold its investigational HIV medicines business consisting of a number of R&D programs at different stages of discovery and development to ViiV Healthcare. BMS received $350 million and is also entitled to 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. BMS earned transitional fees of $10 million and $105 million for certain R&D and other services in 2017 and 2016, respectively.

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 all divestitures were not material in 2017, 2016 and 2015 (excluding the divestiture gains and impairment charges).

Assets Held-For-Sale

In 2017, BMS agreed to sell a R&D facility in Wallingford, Connecticut. The transaction is expected to close in the first quarter of 2018 and will be accounted for as a sale of an asset. The asset was accounted for as held-for-sale as of December 31, 2017 and reduced to its estimated relative fair value resulting in an impairment charge of $79 million that was included in R&D expense.

Licensing Arrangements

Halozyme

In 2017, BMS and Halozyme entered into a global collaboration and license agreement to develop subcutaneously administered BMS IO medicines using Halozyme's *ENHANZE*® drug-delivery technology. This technology may allow for more rapid delivery of large volume injectable medications through subcutaneous delivery. BMS paid $105 million to Halozyme for access to the technology which was included in R&D expense. BMS designated multiple IO targets, including PD-1, to develop using the *ENHANZE*® technology and has an option to select additional targets within five years from the effective date up to a maximum of 11 targets. BMS may pay up to an additional $160 million in achieved contingent development, regulatory and sales-based milestones for each of the nominated collaboration targets, additional milestone payments for combination products and future royalties on sales of products using the *ENHANZE*® technology.

CytomX

In 2017, BMS expanded its strategic collaboration with CytomX to discover novel therapies using CytomX's proprietary Probody platform. As part of the original May 2014 collaboration to discover, develop and commercialize Probody therapeutics, BMS selected four oncology targets, including CTLA-4. Pursuant to the expanded agreement, CytomX granted BMS exclusive worldwide rights to develop and commercialize Probody therapeutics for up to eight additional targets. BMS paid CytomX $75 million for the rights to the initial four targets which was expensed as R&D prior to 2017. BMS paid $200 million to CytomX for access to the additional targets which was included in R&D expense in 2017. BMS will also reimburse CytomX for certain research costs over the collaboration period, pay contingent development, regulatory and sales based milestones up to $448 million if achieved for each collaboration target and future royalties.

Biogen

In 2017, BMS out-licensed to Biogen exclusive rights to develop and commercialize BMS-986168, an anti-eTau compound in development for Progressive Supranuclear Palsy. Biogen paid $300 million to BMS which was included in other income. BMS is also entitled to contingent development, regulatory and sales-based milestone payments of up to $410 million if achieved and future royalties. BMS originally acquired the rights to this compound in 2014 through its acquisition of iPierian. Biogen assumed all of BMS's remaining obligations to the former stockholders of iPierian.

Roche

In 2017, BMS out-licensed to Roche exclusive rights to develop and commercialize BMS-986089, an anti-myostatin adnectin in development for Duchenne Muscular Dystrophy. Roche paid $170 million to BMS which was included in other income. BMS is also entitled to contingent development and regulatory milestone payments of up to $205 million if achieved and future royalties.

Note 5 OTHER INCOME (NET)

Other income (net) includes:

Dollars in Millions	Year Ended December 31, 2017	2016	2015
Interest expense	$ 196	$ 167	$ 184
Investment income	(154)	(105)	(101)
Provision for restructuring	293	109	118
Litigation and other settlements	(487)	47	159
Equity in net income of affiliates	(75)	(77)	(83)
Divestiture gains	(164)	(576)	(196)
Royalties and licensing income	(1,351)	(719)	(383)
Transition and other service fees	(37)	(238)	(122)
Pension charges	162	91	160
Intangible asset impairment	—	15	13
Equity investment impairment	5	45	—
Written option adjustment	—	—	(123)
Loss on debt redemption	109	—	180
Other	(16)	(44)	7
Other income (net)	$ (1,519)	$ (1,285)	$ (187)

- Litigation and other settlements includes BMS's share of a patent-infringement settlement of $481 million related to Merck's PD-1 antibody *Keytruda** in 2017 and $90 million in 2015 for a contractual dispute related to a license.
- Royalties and licensing income includes upfront licensing fees of $470 million from Biogen and Roche in 2017.
- Transition and other service fees were primarily related to the divestiture of the diabetes and investigational HIV medicines businesses.
- Written option adjustment includes the change in fair value of the written option liability attributed to the Reckitt alliance.
- 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.

Note 6 RESTRUCTURING

In October 2016, the Company announced a restructuring plan to evolve and streamline its operating model and expects to incur charges in connection with employee workforce reductions and early site exits. The majority of 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, impairment charges and other site exit costs. Cash outlays in connection with these actions are expected to be approximately 40% to 50% of the total charges. Charges of approximately $800 million have been recognized for these actions since the announcement including an impairment charge for a small molecule manufacturing operation in Swords, Ireland. 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 in addition to the above actions recognized prior 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 the expected early exits of a small molecule manufacturing site in Cruiserath, Ireland and a R&D facility in Wallingford, Connecticut. Refer to "—Note 4. Acquisitions, Divestitures and Licensing Arrangements" for further information.

Employee workforce reductions were approximately 1,900 in 2017, 1,100 in 2016 and 1,200 in 2015.

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

Dollars in Millions	Year Ended December 31, 2017	2016	2015
Employee termination costs	$ 267	$ 97	$ 110
Other termination costs	26	12	8
Provision for restructuring	293	109	118
Accelerated depreciation	289	72	104
Asset impairments	241	13	1
Other shutdown costs	3	19	10
Total charges	$ 826	$ 213	$ 233

Dollars in Millions	Year Ended December 31, 2017	2016	2015
Cost of products sold	$ 149	$ 21	$ 84
Marketing, selling and administrative	1	—	—
Research and development	383	83	31
Other income (net)	293	109	118
Total charges	$ 826	$ 213	$ 233

Dollars in Millions	Year Ended December 31, 2017	2016	2015
Liability at January 1	$ 114	$ 125	$ 156
Charges	319	116	133
Change in estimates	(26)	(7)	(15)
Provision for restructuring	293	109	118
Foreign currency translation	18	—	(15)
Spending	(239)	(120)	(134)
Liability at December 31	$ 186	$ 114	$ 125

Note 7 INCOME TAXES

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

Dollars in Millions	Year Ended December 31, 2017	2016	2015
Current:			
U.S.	$ 2,782	$ 1,144	$ 337
Non-U.S.	364	468	456
Total Current	3,146	1,612	793
Deferred:			
U.S.	1,063	(101)	(394)
Non-U.S.	(53)	(103)	47
Total Deferred	1,010	(204)	(347)
Total Provision	$ 4,156	$ 1,408	$ 446

Effective Tax Rate

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

	% of Earnings Before Income Taxes					
Dollars in Millions	**2017**		2016		2015	
Earnings/(Loss) before income taxes:						
U.S.	**$ 2,280**		$ 3,100		$ (1,329)	
Non-U.S.	**2,851**		2,815		3,406	
Total	**$ 5,131**		$ 5,915		$ 2,077	
U.S. statutory rate	**1,796**	**35.0 %**	2,070	35.0 %	727	35.0 %
Deemed repatriation transition tax	**2,611**	**50.9 %**	—	—	—	—
Deferred tax remeasurement	**285**	**5.6 %**	—	—	—	—
Foreign tax effect of certain operations in Ireland, Puerto Rico and Switzerland	**(561)**	**(10.9)%**	(442)	(7.5)%	(535)	(25.8)%
U.S. Federal valuation allowance release	**—**	**—**	(29)	(0.5)%	(84)	(4.0)%
U.S. Federal, state and foreign contingent tax matters	**72**	**1.4 %**	87	1.5 %	56	2.7 %
U.S. Federal research based credits	**(144)**	**(2.8)%**	(144)	(2.4)%	(132)	(6.4)%
Goodwill allocated to divestitures	**4**	**0.1 %**	34	0.6 %	25	1.2 %
U.S. Branded Prescription Drug Fee	**52**	**1.0 %**	52	0.9 %	44	2.1 %
Non-deductible R&D charges	**266**	**5.2 %**	100	1.7 %	369	17.8 %
Puerto Rico excise tax	**(131)**	**(2.6)%**	(131)	(2.2)%	(55)	(2.7)%
Domestic manufacturing deduction	**(78)**	**(1.5)%**	(122)	(2.1)%	(17)	(0.8)%
State and local taxes (net of valuation allowance)	**77**	**1.5 %**	23	0.4 %	16	0.8 %
Foreign and other	**(93)**	**(1.9)%**	(90)	(1.6)%	32	1.6 %
	$ 4,156	**81.0 %**	$ 1,408	23.8 %	$ 446	21.5 %

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

Although many aspects of the Act are not effective until 2018, additional tax expense of $2.9 billion was recognized in the fourth quarter of 2017 upon enactment of the Act. The additional expense included a $2.6 billion one-time deemed repatriation transition tax on previously untaxed post-1986 foreign earnings and profits (including related tax reserves). Those earnings were effectively taxed at a 15.5% rate to the extent that the specified foreign corporations held cash and certain other assets and an 8.0% rate on the remaining earnings and profits. The remaining additional tax expense included an adjustment to measure net deferred tax assets at the new U.S. tax rate of 21%.

The accounting for the reduction of deferred tax assets to the 21% tax rate is complete. The tax charge for the deemed repatriation tax is incomplete, but was recorded as a provisional amount as we were able to make a reasonable estimate of this tax. The provisional amounts may change when completed in 2018 upon finalizing untaxed post-1986 foreign earnings and profits and related cash and certain eligible assets of the specified foreign corporations. The provisional amounts may also change if additional guidance of the relevant tax code is released.

Earnings for certain of our manufacturing operations in low tax jurisdictions, such as Switzerland, Ireland and Puerto Rico, were indefinitely reinvested prior to the enactment of the Act. BMS operates under a favorable tax grant in Puerto Rico not scheduled to expire prior to 2023.

As a result of the transition tax under the Act, the Company is no longer indefinitely reinvested with respect to its undistributed earnings from foreign subsidiaries and has provided a deferred tax liability or foreign and state income and withholding tax that would apply. The Company remains indefinitely reinvested with respect to its financial statement basis in excess of tax basis of its foreign subsidiaries. A determination of the deferred tax liability with respect to this basis difference is not practicable.

Valuation allowances attributed to capital loss carryforwards were released in 2015 following the divestiture of *Recothrom**, *Ixempra** and other mature brands. Goodwill allocated to business divestitures as well as the U.S. Branded Prescription Drug Fee are not deductible for tax purposes.

R&D charges primarily from acquisition related and milestone payments to former shareholders are not deductible for tax purposes. These include Flexus, Cardioxyl and IFM in 2017; Flexus, Padlock and Cormorant in 2016; and Flexus and Cardioxyl in 2015.

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 compared to 2015.

Deferred Taxes and Valuation Allowance

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

	December 31,	
Dollars in Millions	2017	2016
Deferred tax assets		
Foreign net operating loss carryforwards	$ 2,872	$ 2,945
State net operating loss and credit carryforwards	143	114
U.S. Federal net operating loss and credit carryforwards	99	156
Deferred income	212	764
Milestone payments and license fees	386	534
Pension and postretirement benefits	131	358
Intercompany profit and other inventory items	651	1,241
Other foreign deferred tax assets	312	188
Share-based compensation	60	114
Internal transfer of intellectual property	—	629
Other	280	308
Total deferred tax assets	5,146	7,351
Valuation allowance	(2,827)	(3,078)
Deferred tax assets net of valuation allowance	2,319	4,273
Deferred tax liabilities		
Depreciation	(11)	(125)
Acquired intangible assets	(216)	(344)
Goodwill and other	(527)	(855)
Total deferred tax liabilities	(754)	(1,324)
Deferred tax assets, net	$ 1,565	$ 2,949
Recognized as:		
Deferred income taxes – non-current	$ 1,610	$ 2,996
Income taxes payable – non-current	(45)	(47)
Total	$ 1,565	$ 2,949

The adoption of amended guidance for intra-entity transfers of assets other than inventory resulted in net reductions to prepaid and deferred tax assets pertaining to pre-2017 internal transfers of intellectual property of $787 million and were adjusted through retained earnings as a cumulative effect of an accounting change. Additionally, amended guidance for share-based payment transactions was adopted in 2017 and net excess tax benefits of $39 million were recognized prospectively as a reduction of tax expense rather than capital in excess of par value of stock. The 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 and $147 million in 2015. The adoption of amended guidance for both items reduced the effective tax rate by 2.4% in the year ended December 31, 2017. Refer to "—Note 1. Basis of Presentation and Recently Issued Accounting Standards" for more information.

The U.S. Federal net operating loss carryforwards were $317 million at December 31, 2017. 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 2018 (certain amounts have unlimited lives).

At December 31, 2017, a valuation allowance of $2,827 million was established for the following items: $2,654 million primarily for foreign net operating loss and tax credit carryforwards, $129 million for state deferred tax assets including net operating loss and tax credit carryforwards, $10 million for U.S. Federal net operating loss carryforwards and $34 million for other U.S. Federal deferred tax assets.

Changes in the valuation allowance were as follows:

	Year Ended December 31,		
Dollars in Millions	**2017**	2016	2015
Balance at beginning of year	**$ 3,078**	$ 3,534	$ 4,259
Provision	**50**	39	71
Utilization	**(335)**	(355)	(436)
Foreign currency translation	**341**	(142)	(366)
Acquisitions	**2**	2	6
Non U.S. rate change	**(309)**	—	—
Balance at end of year	**$ 2,827**	$ 3,078	$ 3,534

Income tax payments were $546 million in 2017, $2.0 billion in 2016 and $577 million in 2015.

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 credit deductibility of certain expenses, and deemed repatriation transition tax. 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:

	Year Ended December 31,		
Dollars in Millions	**2017**	2016	2015
Balance at beginning of year	**$ 995**	$ 944	$ 934
Gross additions to tax positions related to current year	**173**	49	52
Gross additions to tax positions related to prior years	**30**	49	56
Gross additions to tax positions assumed in acquisitions	**—**	1	1
Gross reductions to tax positions related to prior years	**(22)**	(22)	(34)
Settlements	**(20)**	(13)	(46)
Reductions to tax positions related to lapse of statute	**(13)**	(4)	(9)
Cumulative translation adjustment	**12**	(9)	(10)
Balance at end of year	**$ 1,155**	$ 995	$ 944

Additional information regarding unrecognized tax benefits is as follows:

	Year Ended December 31,		
Dollars in Millions	**2017**	2016	2015
Unrecognized tax benefits that if recognized would impact the effective tax rate	**$ 1,002**	$ 854	$ 671
Accrued interest	**148**	112	93
Accrued penalties	**15**	17	16

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

It is also reasonably possible that the total amount of unrecognized tax benefits at December 31, 2017 could 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 may result in the payment of additional taxes, adjustment of certain deferred taxes and/or 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 2017
Canada	2006 to 2017
France	2014 to 2017
Germany	2007 to 2017
Italy	2016 to 2017
Mexico	2011 to 2017

Note 8 EARNINGS PER SHARE

	Year Ended December 31,		
Amounts in Millions, Except Per Share Data	**2017**	2016	2015
Net Earnings Attributable to BMS used for Basic and Diluted EPS Calculation	**$ 1,007**	$ 4,457	$ 1,565
Weighted-average common shares outstanding - basic	**1,645**	1,671	1,667
Incremental shares attributable to share-based compensation plans	**7**	9	12
Weighted-average common shares outstanding - diluted	**1,652**	1,680	1,679
Earnings per share - basic	**$ 0.61**	$ 2.67	$ 0.94
Earnings per share - diluted	**0.61**	2.65	0.93

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, 2017 and 2016.

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

	December 31, 2017		December 31, 2016	
Dollars in Millions	Level 1	Level 2	Level 1	Level 2
Cash and cash equivalents - Money market and other securities	**$ —**	**$4,728**	$ —	$3,532
Marketable securities:				
Certificates of deposit	**—**	**141**	—	27
Commercial paper	**—**	**50**	—	750
Corporate debt securities	**—**	**3,548**	—	3,947
Equity funds	**—**	**124**	—	101
Fixed income funds	**—**	**8**	—	7
Derivative assets	**—**	**13**	—	75
Equity investments	**67**	**—**	24	—
Derivative liabilities	**—**	**(52)**	—	(30)

Equity investments not measured at fair value at year end and excluded from the above table were limited partnerships and other equity method investments of $66 million in 2017 and $37 million in 2016 and other equity investments without readily determinable fair values of $152 million in 2017 and $8 million in 2016. These amounts are included in Other assets.

Available-for-sale Securities

The following table summarizes available-for-sale securities:

	December 31, 2017				December 31, 2016			
	Amortized	Gross Unrealized			Amortized	Gross Unrealized		
Dollars in Millions	Cost	Gains	Losses	Fair Value	Cost	Gains	Losses	Fair Value
Certificates of deposit	**$ 141**	**$ —**	**$ —**	**$ 141**	$ 27	$ —	$ —	$ 27
Commercial paper	**50**	**—**	**—**	**50**	750	—	—	750
Corporate debt securities	**3,555**	**3**	**(10)**	**3,548**	3,945	10	(8)	3,947
Equity investments	**31**	**37**	**(1)**	**67**	31	—	(7)	24
	$ 3,777	**$ 40**	**$ (11)**	**$ 3,806**	$ 4,753	$ 10	$ (15)	$ 4,748
Financial assets measured using the fair value option								
Equity and fixed income funds[(a)]				**132**				108
Total				**$ 3,938**				$ 4,856

Dollars in Millions	December 31, 2017	December 31, 2016
Current marketable securities	$ 1,391	$ 2,113
Non-current marketable securities[b]	2,480	2,719
Other assets[c]	67	24
Total	$ 3,938	$ 4,856

(a) The fair value option for financial assets was elected for investments in equity and fixed income funds and are 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, 2017 and 2016.
(c) Includes equity investments.

Qualifying Hedges and Non-Qualifying Derivatives

The following summarizes the fair value of outstanding derivatives:

	December 31, 2017				December 31, 2016			
	Asset[a]		Liability[b]		Asset[a]		Liability[b]	
Dollars in Millions	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value
Derivatives designated as hedging instruments:								
Interest rate swap contracts	$ —	$ —	$ 755	$ (6)	$ 750	$ 1	$ 755	$ (3)
Forward starting interest rate swap contracts	—	—	—	—	500	8	250	(11)
Foreign currency forward contracts	944	12	489	(9)	967	66	198	(9)
Derivatives not designated as hedging instruments:								
Foreign currency forward contracts	206	1	1,369	(37)	106	—	360	(7)

(a) Included in prepaid expenses and other and other assets.
(b) Included in accrued liabilities and pension and other liabilities.

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 ($1,904 million) and Japanese yen ($311 million) at December 31, 2017.

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. BMS terminated the forward starting interest rate swap contracts in 2017 and the proceeds and related gain were not material. The contracts were 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 ($1,127 million) at December 31, 2017 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 loss on the remeasurement of euro debt was $134 million in 2017 and a gain of $48 million, and $80 million in 2016 and 2015, 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 (1.56% as of December 31, 2017) plus an interest rate spread ranging from 0.3% 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. The notional amount of fixed-to-floating interest rate swap contracts terminated was $500 million in 2016 and $147 million in 2015 generating proceeds of $43 million in 2016 and $28 million in 2015 (including accrued interest). Additional contracts were terminated in connection with debt redemptions in 2015.

Debt Obligations

Short-term debt obligations include:

	December 31,	
Dollars in Millions	2017	2016
Commercial paper	$ 299	$ —
Non-U.S. short-term borrowings	512	109
Other	176	134
Current portion of long-term debt	—	749
Total	$ 987	$ 992

The average amount of commercial paper outstanding was $389 million at a weighted-average interest rate of 1.17% during 2017. The maximum amount of commercial paper outstanding was $1.3 billion with $299 million outstanding borrowings at December 31, 2017. There were no commercial paper borrowings in 2016.

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

	December 31,	
Dollars in Millions	2017	2016
Principal Value:		
0.875% Notes due 2017	$ —	$ 750
1.750% Notes due 2019	500	500
1.600% Notes due 2019	750	—
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	682	601
6.800% Notes due 2026	256	256
3.250% Notes due 2027	750	—
1.750% Euro Notes due 2035	682	601
5.875% Notes due 2036	287	404
6.125% Notes due 2038	230	278
3.250% Notes due 2042	500	500
4.500% Notes due 2044	500	500
6.875% Notes due 2097	87	260
0% - 5.75% Other - maturing 2018 - 2024	59	59
Subtotal	6,835	6,261
Adjustments to Principal Value:		
Fair value of interest rate swap contracts	(6)	(2)
Unamortized basis adjustment from swap terminations	227	287
Unamortized bond discounts and issuance costs	(81)	(81)
Total	$ 6,975	$ 6,465
Current portion of long-term debt	$ —	$ 749
Long-term debt	6,975	5,716

The fair value of long-term debt was $7.5 billion and $6.9 billion at December 31, 2017 and 2016, 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 registered public offerings in 2017 and 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 2017 and 2015 (none in 2016):

	2017	2015	
Amounts in Millions	U.S. dollars	Euro	U.S. dollars
Principal Value:			
1.600% Notes due 2019	$ 750	€ —	$ —
1.000% Euro Notes due 2025	—	575	643
3.250% Notes due 2027	750	—	—
1.750% Euro Notes due 2035	—	575	643
Total	$ 1,500	€ 1,150	$ 1,286
Proceeds net of discount and deferred loan issuance costs	$ 1,488	€ 1,133	$ 1,268
Forward starting interest rate swap contracts terminated:			
Notional amount	$ 750	€ 500	$ 559
Realized gain	6	—	—
Unrealized loss	(2)	(16)	(18)

BMS repaid $750 million of 0.875% Notes at maturity in 2017. The following summarizes the debt redemption activity for 2017 and 2015 (none in 2016):

Dollars in Millions	2017	2015
Principal amount	$ 337	$ 1,624
Carrying value	366	1,795
Debt redemption price	474	1,957
Notional amount of interest rate swap contracts terminated	—	735
Interest rate swap termination payments	—	11
Loss on debt redemption[(a)]	109	180

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

Interest payments were $215 million in 2017, $191 million in 2016 and $205 million in 2015 net of amounts received from interest rate swap contracts.

We currently have three separate revolving credit facilities totaling $5.0 billion from a syndicate of lenders. The facilities provide for customary terms and conditions with no financial covenants. Our 364 day $2.0 billion facility expires in March 2018 and our two $1.5 billion facilities were extended to October 2021 and July 2022. Our two $1.5 billion, five-year facilities are extendable annually by one year on the anniversary date with the consent of the lenders. No borrowings were outstanding under any revolving credit facility at December 31, 2017 or 2016.

Available financial guarantees provided in the form of stand-by letters of credit and performance bonds were $704 million at December 31, 2017. 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, 2017	2016
Trade receivables	$ 4,599	$ 3,948
Less charge-backs and cash discounts	(209)	(126)
Less bad debt allowances	(43)	(48)
Net trade receivables	4,347	3,774
Alliance receivables	522	903
Prepaid and refundable income taxes	691	627
Royalties, VAT and other	740	239
Receivables	$ 6,300	$ 5,543

Non-U.S. receivables sold on a nonrecourse basis were $637 million in 2017, $618 million in 2016, and $476 million in 2015. In the aggregate, receivables from three pharmaceutical wholesalers in the U.S. represented 65% and 66% of total trade receivables at December 31, 2017 and 2016, respectively.

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

Dollars in Millions	Year Ended December 31, 2017	2016	2015
Balance at beginning of year	$ 174	$ 122	$ 93
Provision	2,090	1,613	1,059
Utilization	(2,015)	(1,561)	(1,030)
Other	3	—	—
Balance at end of year	$ 252	$ 174	$ 122

Note 11 INVENTORIES

Dollars in Millions	December 31, 2017	2016
Finished goods	$ 384	$ 310
Work in process	931	988
Raw and packaging materials	273	264
Inventories	$ 1,588	$ 1,562
Inventories	$ 1,166	$ 1,241
Other assets	422	321

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

Note 12 PROPERTY, PLANT AND EQUIPMENT AND LEASES

Dollars in Millions	December 31, 2017	2016
Land	$ 100	$ 107
Buildings	4,848	4,930
Machinery, equipment and fixtures	3,059	3,287
Construction in progress	980	849
Gross property, plant and equipment	8,987	9,173
Less accumulated depreciation	(3,986)	(4,193)
Property, plant and equipment	$ 5,001	$ 4,980

Depreciation expense was $682 million in 2017, $448 million in 2016 and $500 million in 2015.

Gross property, plant and equipment of $475 million ($85 million net of accumulated depreciation) was reclassified to assets held-for-sale at December 31, 2017 as a result of the pending sale of a R&D facility in Wallingford, Connecticut. Refer to "—Note 4. Acquisitions, Divestitures and Licensing Arrangements" for additional information.

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 $120 million in 2017, $145 million in 2016 and $140 million in 2015. 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, 2017	2016
Goodwill		$ 6,863	$ 6,875
Other intangible assets:			
Licenses	5 – 15 years	567	564
Developed technology rights	9 – 15 years	2,357	2,357
Capitalized software	3 – 10 years	1,381	1,441
IPRD		32	107
Gross other intangible assets		4,337	4,469
Less accumulated amortization		(3,127)	(3,084)
Total other intangible assets		$ 1,210	$ 1,385

Amortization expense of other intangible assets was $190 million in 2017, $178 million in 2016 and $183 million in 2015. Future annual amortization expense of other intangible assets is expected to be approximately $220 million in 2018, $200 million in 2019, $160 million in 2020, $130 million in 2021, and $100 million in 2022. Other intangible asset impairment charges were $80 million in 2017, $33 million in 2016 and $181 million in 2015.

A $75 million IPRD charge was recognized and attributed to noncontrolling interest after BMS declined to exercise its option to purchase F-Star Alpha in 2017. A $160 million IPRD impairment charge was recognized for BMS-986020 (LPA1 Antagonist) which was in Phase II development for treatment of IPF in 2015. 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.

Note 14 ACCRUED LIABILITIES

Dollars in Millions	December 31, 2017	2016
Rebates and returns	$ 2,024	$ 1,680
Employee compensation and benefits	869	818
Research and development	783	718
Dividends	654	660
Royalties	285	246
Branded Prescription Drug Fee	303	234
Restructuring	155	90
Pension and postretirement benefits	40	44
Litigation and other settlements	38	43
Other	863	738
Accrued liabilities	$ 6,014	$ 5,271

Note 15 EQUITY

Dollars and Shares in Millions	Common Stock Shares	Common Stock Par Value	Capital in Excess of Par Value of Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock Shares	Treasury Stock Cost	Noncontrolling Interest
Balance at January 1, 2015	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
Accounting change - cumulative effect[(a)]	—	—	—	—	(787)	—	—	—
Adjusted balance at January 1, 2017	2,208	221	1,725	(2,503)	32,726	536	(16,779)	170
Net earnings	—	—	—	—	1,007	—	—	27
Other comprehensive income	—	—	—	214	—	—	—	—
Cash dividends	—	—	—	—	(2,573)	—	—	—
Stock repurchase program	—	—	—	—	—	44	(2,477)	—
Stock compensation	—	—	173	—	—	(5)	7	—
Variable interest entity	—	—	—		—	—	—	(59)
Distributions	—	—	—	—	—	—	—	(32)
Balance at December 31, 2017	2,208	$ 221	$ 1,898	$ (2,289)	$ 31,160	575	$ (19,249)	$ 106

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

BMS has a stock repurchase program authorized by its Board of Directors allowing for repurchases in the open market or through private transactions, including plans established in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934. The stock repurchase program does not have an expiration date and may be suspended or discontinued at any time. Treasury stock is recognized at the cost to reacquire the shares. Shares issued from treasury are recognized utilizing the first-in first-out method. BMS repurchased shares during 2017 through Rule 10b5-1, open market purchases and accelerated share repurchase agreements.

BMS completed accelerated share repurchase agreements that repurchased approximately 36.5 million shares of the Company's common stock for an aggregate $2 billion in 2017. The agreements were funded through a combination of debt and cash.

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

	Year Ended December 31,								
	2017			2016			2015		
Dollars in Millions	Pretax	Tax	After Tax	Pretax	Tax	After Tax	Pretax	Tax	After Tax
Derivatives qualifying as cash flow hedges:									
Unrealized gains/(losses)	**$ (101)**	**$ 33**	**$ (68)**	$ (5)	$ —	$ (5)	$ 59	$ (22)	$ 37
Reclassified to net earnings[a]	**19**	**(8)**	**11**	12	(3)	9	(130)	42	(88)
Derivatives qualifying as cash flow hedges	**(82)**	**25**	**(57)**	7	(3)	4	(71)	20	(51)
Pension and postretirement benefits:									
Actuarial gains/(losses)	**47**	**11**	**58**	(126)	(3)	(129)	(88)	27	(61)
Amortization[b]	**77**	**(31)**	**46**	78	(25)	53	85	(28)	57
Settlements[c]	**167**	**(57)**	**110**	91	(32)	59	160	(55)	105
Pension and postretirement benefits	**291**	**(77)**	**214**	43	(60)	(17)	157	(56)	101
Available-for-sale securities:									
Unrealized gains/(losses)	**38**	**6**	**44**	(12)	(1)	(13)	(71)	14	(57)
Realized (gains)/losses[c]	**(7)**	**2**	**(5)**	29	—	29	3	—	3
Available-for-sale securities	**31**	**8**	**39**	17	(1)	16	(68)	14	(54)
Foreign currency translation	**(20)**	**38**	**18**	(33)	(5)	(38)	(17)	(22)	(39)
Total Other Comprehensive Income/(Loss)	**$ 220**	**$ (6)**	**$ 214**	$ 34	$ (69)	$ (35)	$ 1	$ (44)	$ (43)

(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 (net)

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

	December 31,	
Dollars in Millions	**2017**	2016
Derivatives qualifying as cash flow hedges	**$ (19)**	$ 38
Pension and postretirement benefits	**(1,883)**	(2,097)
Available-for-sale securities	**32**	(7)
Foreign currency translation	**(419)**	(437)
Accumulated other comprehensive loss	**$ (2,289)**	$ (2,503)

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 62% 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	2017	2016	2015
Service cost—benefits earned during the year	$ 25	$ 24	$ 25
Interest cost on projected benefit obligation	188	192	242
Expected return on plan assets	(411)	(418)	(405)
Amortization of prior service credits	(4)	(3)	(3)
Amortization of net actuarial loss	82	84	91
Curtailments	(8)	—	(1)
Settlements	167	91	161
Special termination benefits	3	1	—
Net periodic benefit cost/(credit)	$ 42	$ (29)	$ 110

Pension settlement charges were 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 2017, 2016 and 2015.

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

Dollars in Millions	2017	2016
Benefit obligations at beginning of year	$ 6,440	$ 6,418
Service cost—benefits earned during the year	25	24
Interest cost	188	192
Settlements	(330)	(173)
Actuarial (gains)/losses	368	253
Benefits paid	(121)	(109)
Foreign currency and other	179	(165)
Benefit obligations at end of year	$ 6,749	$ 6,440
Fair value of plan assets at beginning of year	$ 5,831	$ 5,687
Actual return on plan assets	804	513
Employer contributions	396	81
Settlements	(330)	(173)
Benefits paid	(121)	(109)
Foreign currency and other	169	(168)
Fair value of plan assets at end of year	$ 6,749	$ 5,831
Funded status	$ —	$ (609)
Assets/(Liabilities) recognized:		
Other assets	$ 487	$ 26
Accrued liabilities	(31)	(35)
Pension and other liabilities	(456)	(600)
Funded status	$ —	$ (609)
Recognized in accumulated other comprehensive loss:		
Net actuarial losses	$ 2,849	$ 3,123
Prior service credit	(36)	(39)
Total	$ 2,813	$ 3,084

The accumulated benefit obligation for defined benefit pension plans was $6.7 billion and $6.4 billion at December 31, 2017 and 2016, respectively.

Additional information related to pension plans was as follows:

Dollars in Millions	2017	2016
Pension plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligation	$ 1,166	$ 6,195
Fair value of plan assets	678	5,559
Pension plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligation	$ 1,008	$ 5,978
Fair value of plan assets	550	5,380

Actuarial Assumptions

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

	2017	2016
Discount rate	3.1%	3.5%
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:

	2017	2016	2015
Discount rate	3.5%	3.8%	3.6%
Expected long-term return on plan assets	7.0%	7.2%	7.2%
Rate of compensation increase	0.5%	0.5%	0.8%

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, 2017. 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:

	2017	2016	2015
10 years	6.8%	6.1%	6.7%
15 years	9.3%	7.1%	6.0%
20 years	7.5%	7.7%	8.1%

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 2018) 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 $80 million in 2018. 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 $298 million and $308 million at December 31, 2017 and 2016, respectively, and the fair value of plan assets were $364 million and $331 million at December 31, 2017 and 2016, respectively. The weighted-average discount rate used to determine benefit obligations was 3.3% and 3.6% at December 31, 2017 and 2016, respectively. 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, 2017 and 2016 was as follows:

	December 31, 2017				December 31, 2016			
Dollars in Millions	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Plan Assets								
Equity securities	$ 799	$ —	$ —	$ 799	$ 833	$ —	$ —	$ 833
Equity funds	160	1,358	—	1,518	138	1,230	—	1,368
Fixed income funds	—	724	—	724	—	804	—	804
Corporate debt securities	—	1,919	—	1,919	—	1,405	—	1,405
U.S. Treasury and agency securities	—	729	—	729	—	536	—	536
Short-term investment funds	—	135	—	135	—	90	—	90
Insurance contracts	—	—	138	138	—	—	112	112
Cash and cash equivalents	214	—	—	214	81	—	—	81
Other	—	92	13	105	—	93	—	93
Plan assets subject to leveling	$ 1,173	$ 4,957	$ 151	$ 6,281	$ 1,052	$ 4,158	$ 112	$ 5,322
Plan assets measured at NAV as a practical expedient								
Equity funds				$ 488				$ 476
Venture capital and limited partnerships				154				198
Other				191				166
Total plan assets measured at NAV as a practical expedient				833				840
Net plan assets				$ 7,114				$ 6,162

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.

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 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, 2017 and 2016.

Contributions and Estimated Future Benefit Payments

Contributions to pension plans were $396 million in 2017, $81 million in 2016 and $118 million in 2015 and are expected to be approximately $70 million in 2018. Estimated annual future benefit payments (including lump sum payments) range from approximately $275 million to $300 million in each of the next five years, and aggregate $1.6 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 $200 million in 2017, 2016 and 2015.

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, 2017, 104 million shares were available for award. Shares are issued from treasury stock to satisfy our obligations under this Plan.

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

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

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

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

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

	Years Ended December 31,		
Dollars in Millions	**2017**	2016	2015
Restricted stock units	**$ 95**	$ 89	$ 82
Market share units	**35**	37	36
Performance share units	**69**	79	117
Total stock-based compensation expense	**$ 199**	$ 205	$ 235
Income tax benefit	**$ 59**	$ 69	$ 77

Shares in Millions	Stock Options: Number of Options Outstanding	Stock Options: Weighted-Average Exercise Price of Shares	Restricted Stock Units: Number of Nonvested Awards	Restricted Stock Units: Weighted-Average Grant-Date Fair Value	Market Share Units: Number of Nonvested Awards	Market Share Units: Weighted-Average Grant-Date Fair Value	Performance Share Units: Number of Nonvested Awards	Performance Share Units: Weighted-Average Grant-Date Fair Value
Balance at January 1, 2017	6.4	$ 21.02	4.6	$ 56.90	1.5	$ 61.63	4.1	$ 60.97
Granted	—	—	2.7	54.39	0.9	60.14	1.3	57.91
Released/Exercised	(2.5)	23.80	(1.7)	53.00	(0.6)	54.64	(1.5)	54.46
Adjustments for actual payout	—	—	—	—	—	—	—	—
Forfeited/Canceled	(0.1)	25.55	(0.7)	57.26	(0.3)	62.95	(0.4)	62.21
Balance at December 31, 2017	3.8	$ 19.04	4.9	$ 56.85	1.5	$ 62.25	3.5	$ 62.57
Vested or expected to vest	3.8	$ 19.04	4.3	$ 56.89	1.4	$ 62.27	3.3	$ 62.82

Dollars in Millions	Restricted Stock Units	Market Share Units	Performance Share Units
Unrecognized compensation cost	$ 197	$ 42	$ 70
Expected weighted-average period in years of compensation cost to be recognized	2.7	2.8	1.7

Amounts in Millions, except per share data	2017	2016	2015
Weighted-average grant date fair value (per share):			
Restricted stock units	$ 54.39	$ 60.56	$ 61.18
Market share units	60.14	65.26	67.03
Performance share units	57.91	64.87	65.07
Fair value of awards that vested:			
Restricted stock units	$ 91	$ 81	$ 77
Market share units	33	50	47
Performance share units	84	93	75
Total intrinsic value of stock options exercised	$ 84	$ 158	$ 206

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, 2017:

Range of Exercise Prices	Options Outstanding and Exercisable: Number Outstanding and Exercisable (in millions)	Options Outstanding and Exercisable: Weighted-Average Remaining Contractual Life (in years)	Options Outstanding and Exercisable: Weighted-Average Exercise Price Per Share	Options Outstanding and Exercisable: Aggregate Intrinsic Value (in millions)
$17 - $24	3,785	0.83	$ 19.04	$ 160

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based on the closing stock price of $61.28 on December 31, 2017.

Note 18 LEGAL PROCEEDINGS AND CONTINGENCIES

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

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

INTELLECTUAL PROPERTY

*Plavix** - Australia

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

Sprycel - European Union

In May 2013, Apotex, Actavis Group PTC ehf, Generics [UK] Limited (Mylan) and an unnamed company filed oppositions in the EPO seeking revocation of European Patent No. 1169038 (the '038 patent) covering dasatinib, the active ingredient in *Sprycel*. The '038 patent is scheduled to expire in April 2020 (excluding potential term extensions). On January 20, 2016, the Opposition Division of the EPO revoked the '038 patent. In May 2016, the Company appealed the EPO's decision to the EPO Board of Appeal. In February 2017, the EPO Board of Appeal upheld the Opposition Division's decision, and revoked the '038 patent. Orphan drug exclusivity and data exclusivity for *Sprycel* in the EU expired in November 2016. The EPO Board of Appeal's decision does not affect the validity of our other Sprycel patents within and outside Europe, including different patents that cover the monohydrate form of dasatinib and the use of dasatinib to treat CML. Additionally, in February 2017, the EPO Board of Appeal reversed and remanded an invalidity decision on European Patent No. 1610780 and its claim to the use of dasatinib to treat CML, which the EPO's Opposition Division had revoked in October 2012. The Company intends to take appropriate legal actions to protect *Sprycel*. We may experience a decline in European revenues in the event that generic dasatinib product enters the market.

Anti-PD-1 Antibody Patent Oppositions and Litigation

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

Eliquis Patent Litigation - U.S.

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

PRICING, SALES AND PROMOTIONAL PRACTICES LITIGATION

*Plavix** State Attorneys General Lawsuits

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

PRODUCT LIABILITY LITIGATION

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

*Plavix**

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

*Byetta**

Amylin, a former subsidiary of the Company, and Lilly are co-defendants in product liability litigation related to *Byetta**. To date, there are over 500 separate lawsuits pending on behalf of approximately 2,000 active plaintiffs (including pending settlements), which include injury plaintiffs as well as claims by spouses and/or other beneficiaries, in various courts in the U.S. As previously reported, the Company has agreed to resolve certain of these claims. Most of those claims have been, or are in the process of being, dismissed. 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 appealed to the U.S. Court of Appeals for the Ninth Circuit. In November 2017, the Ninth Circuit reversed the MDL summary judgment order and remanded the case for further proceedings. The JCCP plaintiffs have appealed to the California Court of Appeal and their appeal remains pending. Amylin has product liability insurance covering a substantial number of claims involving *Byetta** and any additional liability to Amylin with respect to *Byetta** is expected to be shared between the Company and AstraZeneca.

*Abilify**

The Company and Otsuka are co-defendants in product liability litigation related to *Abilify**. Plaintiffs allege *Abilify** caused them to engage in compulsive gambling and other impulse control disorders. There have been over 500 cases filed in state and federal courts and several additional cases are pending in Canada. The Judicial Panel on Multidistrict Litigation has consolidated the federal court cases for pretrial purposes in the United States District Court for the Northern District of Florida. The first MDL trial is currently scheduled to take place in June 2018.

Eliquis

The Company and Pfizer are co-defendants in product liability litigation related to *Eliquis*. Plaintiffs assert claims, including claims for wrongful death, as a result of bleeding they allege was caused by their use of *Eliquis*. The majority of these claims are pending in an MDL in the United States District Court for the Southern District of New York and in state court in Delaware. As of January 2018, there are over 160 cases pending in courts in the United States and one pending in Canada. Over 150 cases have been dismissed with prejudice by the MDL. Plaintiffs have appealed some of the dismissed cases to the Second Circuit Court of Appeals.

SHAREHOLDER DERIVATIVE LITIGATION

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

SECURITIES LITIGATION

In February 2018, the Company became aware of a putative class action complaint, *Joseph Giugno v. Bristol-Myers Squibb Co., et al.* that was filed in the U.S. District for the Northern District of California against the Company, the Company's Chief Executive Officer, Giovanni Caforio, the Company's Chief Financial Officer, Charles A. Bancroft and certain former and current executives of the Company. The complaint alleges violations of securities laws for the Company's disclosures related to the CheckMate -026 clinical trial in lung cancer. The Company intends to defend itself vigorously in this litigation.

GOVERNMENT INVESTIGATIONS

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

ENVIRONMENTAL PROCEEDINGS

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

CERCLA Matters

With respect to CERCLA matters for which the Company is responsible under various state, federal and foreign laws, the Company typically estimates potential costs based on information obtained from the U.S. Environmental Protection Agency, or counterpart state or foreign agency and/or studies prepared by independent consultants, including the total estimated costs for the site and the expected cost-sharing, if any, with other "potentially responsible parties," and the Company accrues liabilities when they are probable and reasonably estimable. The Company estimated its share of future costs for these sites to be $62.8 million at December 31, 2017, which represents the sum of best estimates or, where no best estimate can reasonably be made, estimates of the minimal probable amount among a range of such costs (without taking into account any potential recoveries from other parties). The amount includes the estimated costs for any additional probable loss associated with the previously disclosed North Brunswick Township High School Remediation Site.

Note 19 SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Dollars in Millions, except per share data	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2017					
Total Revenues	**$ 4,929**	**$ 5,144**	**$ 5,254**	**$ 5,449**	**$ 20,776**
Gross Margin	**3,670**	**3,582**	**3,682**	**3,776**	**14,710**
Net Earnings/(Loss)	**1,526**	**922**	**856**	**(2,329)**	**975**
Net Earnings/(Loss) Attributable to:					
Noncontrolling Interest	**(48)**	**6**	**11**	**(1)**	**(32)**
BMS	**1,574**	**916**	**845**	**(2,328)**	**1,007**
Earnings/(Loss) per Share - Basic[a]	**$ 0.95**	**$ 0.56**	**$ 0.52**	**$ (1.42)**	**$ 0.61**
Earnings/(Loss) per Share - Diluted[a]	**0.94**	**0.56**	**0.51**	**(1.42)**	**0.61**
Cash dividends declared per common share	**$ 0.39**	**$ 0.39**	**$ 0.39**	**$ 0.40**	**$ 1.57**
Cash and cash equivalents	**$ 3,910**	**$ 3,470**	**$ 4,644**	**$ 5,421**	**$ 5,421**
Marketable securities[b]	**4,884**	**5,615**	**5,004**	**3,871**	**3,871**
Total Assets	**32,937**	**33,409**	**33,977**	**33,551**	**33,551**
Long-term debt[c]	**7,237**	**6,911**	**6,982**	**6,975**	**6,975**
Equity	**14,535**	**14,821**	**14,914**	**11,847**	**11,847**

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

(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 2017 and 2016:

2017

Dollars in Millions	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Cost of products sold[(a)]	**$ —**	**$ 130**	**$ 1**	**$ 18**	**$ 149**
Marketing, selling and administrative	**—**	**—**	**—**	**1**	**1**
License and asset acquisition charges	**50**	**393**	**310**	**377**	**1,130**
IPRD impairments	**75**	**—**	**—**	**—**	**75**
Site exit costs and other	**72**	**96**	**64**	**151**	**383**
Research and development	**197**	**489**	**374**	**528**	**1,588**
Provision for restructuring	**164**	**15**	**28**	**86**	**293**
Litigation and other settlements	**(481)**	**—**	**—**	**—**	**(481)**
Divestiture gains	**(100)**	**—**	**—**	**(26)**	**(126)**
Royalties and licensing income	**—**	**(497)**	**—**	**—**	**(497)**
Pension charges	**33**	**36**	**22**	**71**	**162**
Loss on debt redemption	**—**	**109**	**—**	**—**	**109**
Other income (net)	**(384)**	**(337)**	**50**	**131**	**(540)**
Increase/(decrease) to pretax income	**(187)**	**282**	**425**	**678**	**1,198**
Income taxes on items above	**72**	**20**	**(41)**	**(138)**	**(87)**
Income taxes attributed to U.S. tax reform	**—**	**—**	**—**	**2,911**	**2,911**
Income taxes	**72**	**20**	**(41)**	**2,773**	**2,824**
Increase/(decrease) to net earnings	**(115)**	**302**	**384**	**3,451**	**4,022**
Noncontrolling interest	**(59)**	**—**	**—**	**—**	**(59)**
Increase/(decrease) to net earnings used for Diluted Non-GAAP EPS calculation	**$ (174)**	**$ 302**	**$ 384**	**$ 3,451**	**$ 3,963**

2016

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

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

REPORTS OF MANAGEMENT

Management's Responsibility for Financial Statements

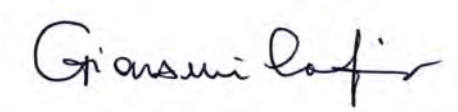
Management is responsible for the preparation and integrity of the financial information presented in this Annual Report. The accompanying consolidated financial statements have been prepared in conformity with United States generally accepted accounting principles, applying certain estimates and judgments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

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

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of management, including the chief executive officer and chief financial officer, management assessed the effectiveness of internal control over financial reporting as of December 31, 2017 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, 2017 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, 2017, which is included herein.



Giovanni Caforio
Chief Executive Officer

Charles Bancroft
Chief Financial Officer

February 13, 2018

CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of December 31, 2017, 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, 2017, 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, 2017 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, 2017 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, 2017, 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, 2017 that have materially affected, or are reasonable likely to materially affect, the Company's internal control over financial reporting.

OTHER INFORMATION

None.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Bristol-Myers Squibb Company and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of earnings, comprehensive income, and cash flows, for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, 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) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 13, 2018 expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

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

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

Parsippany, New Jersey
February 13, 2018

We have served as the Company's auditor since 2006.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Bristol-Myers Squibb and subsidiaries (the "Company") as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2017, of the Company and our report dated February 13, 2018, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

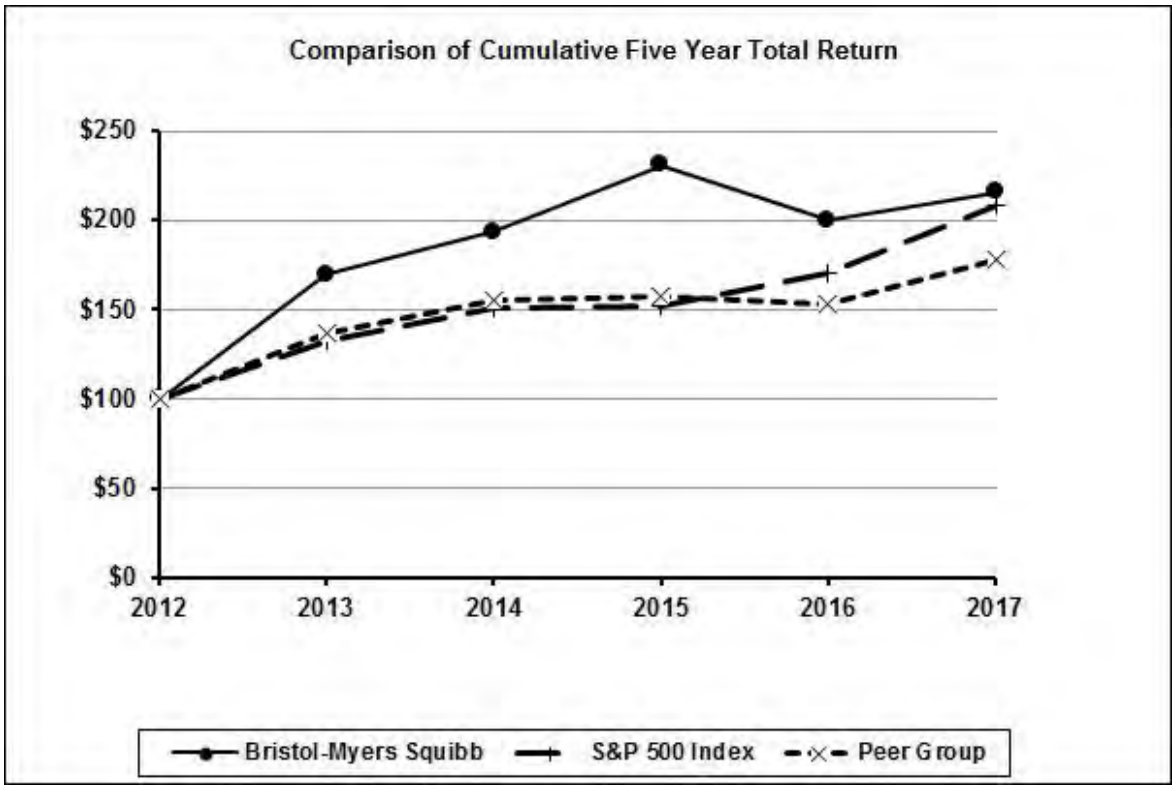
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree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

Parsippany, New Jersey
February 13, 2018

PERFORMANCE GRAPH

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

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



	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017
Bristol-Myers Squibb	$ 100	$ 170	$ 194	$ 231	$ 200	**$ 215**
S&P 500 Index	100	132	151	153	171	**208**
Peer Group	100	136	155	157	153	**179**

Assumes $100 invested on 12/31/2012 in Bristol-Myers Squibb common stock, S&P 500 index, and Peer Group. Values are as of December 31 of specified year assuming dividends are reinvested.

FIVE YEAR FINANCIAL SUMMARY

Amounts in Millions, except per share data	2017	2016	2015	2014	2013
Income Statement Data:[a]					
Total Revenues	**$ 20,776**	$ 19,427	$ 16,560	$ 15,879	$ 16,385
Net Earnings	**975**	4,507	1,631	2,029	2,580
Net Earnings/(Loss) Attributable to:					
Noncontrolling Interest	**(32)**	50	66	25	17
BMS	**1,007**	4,457	1,565	2,004	2,563
Net Earnings per Common Share Attributable to BMS:					
Basic	**$ 0.61**	$ 2.67	$ 0.94	$ 1.21	$ 1.56
Diluted	**0.61**	2.65	0.93	1.20	1.54
Average common shares outstanding:					
Basic	**1,645**	1,671	1,667	1,657	1,644
Diluted	**1,652**	1,680	1,679	1,670	1,662
Cash dividends paid on BMS common and preferred stock	**$ 2,577**	$ 2,547	$ 2,477	$ 2,398	$ 2,309
Cash dividends declared per common share	**$ 1.57**	$ 1.53	$ 1.49	$ 1.45	$ 1.41
Financial Position Data at December 31:					
Cash and cash equivalents	**$ 5,421**	$ 4,237	$ 2,385	$ 5,571	$ 3,586
Marketable securities[b]	**3,871**	4,832	6,545	6,272	4,686
Total Assets	**33,551**	33,707	31,748	33,749	38,592
Long-term debt[b]	**6,975**	6,465	6,550	7,242	7,981
Equity	**11,847**	16,347	14,424	14,983	15,236

(a) For a discussion of items that affected the comparability of results for the years 2017, 2016 and 2015, refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures."

(b) Includes current and non-current portion.

SUMMARY OF ABBREVIATED TERMS

Bristol-Myers Squibb Company may be referred to as Bristol-Myers Squibb, BMS, the Company, we, our or us in this 2017 Form 10-K. Throughout this 2017 Form 10-K we have used terms which are defined below:

2017 Form 10-K	Annual Report on Form 10-K for the fiscal year ended December 31, 2017	LIBOR	London Interbank Offered Rate
AbbVie	AbbVie Inc.	Lilly	Eli Lilly and Company
ALL	acute lymphoblastic leukemia	LOE	loss of exclusivity
Amira	Amira Pharmaceuticals, Inc.	MAA	Marketing Authorization Application
Amylin	Amylin Pharmaceuticals, Inc.	MCOs	Managed Care Organizations
aNDA	abbreviated New Drug Application	mCRC	metastatic colorectal cancer
API	active pharmaceutical ingredient	MDL	multi-district litigation
ASEAN	Association of Southeast Asian Nations	Mead Johnson	Mead Johnson Nutrition Company
AstraZeneca	AstraZeneca PLC	Merck	Merck & Co., Inc.
auto-HSCT	autologous hematopoietic stem cell transplantation	MF	myelofibrosis
Biogen	Biogen, Inc.	MPM	malignant pleural mesothelioma
BLA	Biologics License Application	MSI-H	high microsatellite instability
Cardioxyl	Cardioxyl Pharmaceuticals, Inc.	mUC	metastatic urothelial carcinoma
CERCLA	U.S. Comprehensive Environmental Response, Compensation and Liability Act	NAV	net asset value
cGMP	current Good Manufacturing Practices	NDA	New Drug Application
cHL	classical Hodgkin lymphoma	Nitto Denko	Nitto Denko Corporation
CHMP	Committee for Medicinal Products for Human Use	NKT	natural killer T cells
CML	chronic myeloid leukemia	Novartis	Novartis Pharmaceutical Corporation
Cormorant	Cormorant Pharmaceuticals	NSCLC	non-small cell lung cancer
CPPIB	CPPIB Credit Europe S.A.R.L., a Luxembourg private limited liability company	NVAF	nonvalvular atrial fibrillation
CSF1R	colony stimulating factor 1 receptor	OCI	Other Comprehensive Income
CytomX	CytomX Therapeutics, Inc.	OIG	Office of Inspector General of the U.S. Dept. of Health and Human Services
dMMR	DNA mismatch repair deficient	Ono	Ono Pharmaceutical Co., Ltd.
DSA	Distribution Services Agreement	OTC	Over-the-counter
EC	European Commission	Otsuka	Otsuka Pharmaceutical Co., Ltd.
EMA	European Medicines Agency	PAD	Protein/Peptidyl Arginine Deiminase
EPO	European Patent Office	Padlock	Padlock Therapeutics, Inc.
EPS	earnings per share	PBMs	Pharmacy Benefit Managers
ERISA	Employee Retirement Income Security Act of 1974	PD-1	programmed death receptor-1
EU	European Union	PDMA	Prescription Drug Marketing Act
FASB	Financial Accounting Standards Board	Pfizer	Pfizer, Inc.
FCPA	Foreign Corrupt Practices Act	PHRMA Code	Pharmaceutical Research and Manufacturers of America's Professional Practices Code
FDA	U.S. Food and Drug Administration	Promedior	Promedior, Inc.
Five Prime	Five Prime Therapeutics, Inc.	PRP	potentially responsible party
Flexus	Flexus Biosciences, Inc.	PSA	prostate-specific antigen
F-Star	F-Star Alpha Ltd.	PsiOxus	PsiOxus Therapeutics, Ltd.
GAAP	U.S. generally accepted accounting principles	PVNS	pigmented vilonodular synovitis
GBM	glioblastoma multiforme	R&D	Research and Development
GDD	Genetically Defined Diseases	RA	rheumatoid arthritis
Gilead	Gilead Sciences, Inc.	RCC	renal cell carcinoma
GTN	gross-to-net	RDP	regulatory data protection
Halozyme	Halozyme Therapeutics, Inc.	Reckitt	Reckitt Benckiser Group plc
HCC	Hepatocellular carcinoma	Roche	Roche Holding AG
HCV	hepatitis C virus	Sanofi	Sanofi S.A.
HIV	human immunodeficiency virus	sBLA	supplemental Biologics License Application
HNC	head and neck cancer	SCCHN	squamous cell carcinoma of the head and neck
HPV	human papillomavirus	SCLC	small cell lung cancer
HR 3590	The Patient Protection and Affordable Care Act	SEC	U.S. Securities and Exchange Commission
IFM	IFM Therapeutics, Inc.	SK Biotek	SK Biotek Co., Ltd.
ImClone	ImClone Systems Incorporated	the 2012 Plan	The 2012 Stock Award and Incentive Plan
IO	Immuno-Oncology	U.S.	United States
IPF	idiopathic pulmonary fibrosis	UK	United Kingdom
iPierian	iPierian, Inc.	Valeant	Valeant Pharmaceuticals International, Inc.
IPRD	in-process research and development	VTE	venous thromboembolic
JIA	Juvenile Idiopathic Arthritis	WTO	World Trade Organization

BRISTOL-MYERS SQUIBB | Board of Directors

Giovanni Caforio, M.D.
Chairman of the Board and Chief Executive Officer, Bristol-Myers Squibb

Vicki L. Sato, Ph.D.
Lead Independent Director, Bristol-Myers Squibb; Non-Executive Chairman, Denali Therapeutics, Inc.
(b, d)

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

José Baselga, M.D., Ph.D.
Physician-in-Chief, Memorial Sloan Kettering Cancer Center and Professor of Medicine, Weill Cornell Medical College
(d)

Robert J. Bertolini
Former President and Chief Financial Officer, Bausch & Lomb
(a, b)

Matthew W. Emmens
Retired Chief Executive Officer and Chairman, Shire PLC
(c, d)

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

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

Dinesh C. Paliwal
President and Chief Executive Officer, Harman International, a wholly-owned subsidiary of Samsung Electronics Co., Ltd.
(b, c)

Theodore R. Samuels
Former President, Capital Guardian Trust Company
(a, b)

Gerald L. Storch
Chief Executive Officer, Storch Advisors
(a, c)

Karen H. Vousden, Ph.D.
Senior Group Leader, The Francis Crick Institute and Chief Scientist, Cancer Research UK
(d)

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

BRISTOL-MYERS SQUIBB | Leadership Team

Giovanni Caforio, M.D.
Chairman of the Board and
Chief Executive Officer

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

John Elicker
Senior Vice President, Corporate Affairs
and Investor Relations

Murdo Gordon
Executive Vice President,
Chief Commercial Officer

Ann Powell Judge
Senior Vice President,
Chief Human Resources Officer

Sandra Leung
Executive Vice President,
General Counsel

Thomas J. Lynch, Jr., M.D.
Executive Vice President,
Chief Scientific Officer, R&D

Lou Schmukler
Senior Vice President and President,
Global Product Development & Supply

Paul von Autenried
Senior Vice President,
Chief Information Officer

BRISTOL-MYERS SQUIBB | Stockholder Information

Common Stock

Ticker symbol: BMY
New York Stock Exchange

Annual Meeting of Stockholders

Tuesday, May 1, 2018 10:00 a.m.
Bristol-Myers Squibb Company
3401 Princeton Pike
Lawrence Township, NJ 08648

Stockholder Services

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

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

www.shareowneronline.com

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

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

Shareowner Services Plus Plan℠

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

Shareowner Services Plus Plan is a Service Mark of EQ Shareowner Services.

Form 10-K

For a free copy of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, contact:

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

New address effective July 1, 2018:

430 E. 29 Street, 14FL
New York, NY 10016

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

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

Additional Information

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

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

This Annual Report contains certain forward-looking information within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations and involve inherent risks and uncertainties that could cause actual outcomes and results to differ materially from current expectations. Please see page 28 in the Financial Review for a discussion and description of these risks and uncertainties. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

Product Names and Company Programs

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

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

Adcetris is a trademark of Seattle Genetics, Inc.

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

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

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

Cabometyx is a trademark of Exelixis, Inc.

ENHANZE is a trademark of Halozyme, Inc.

Erbitux is a trademark of ImClone LLC

Farxiga and *Onglyza* are trademarks of AstraZeneca AB

Gleevec is a trademark of Novartis AG

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

Keytruda is a trademark of Merck Sharp & Dohme Corp.

Myalept is a trademark of Aegerion Pharmaceuticals, Inc.

Prostvac is a trademark of BN ImmunoTherapeutics Inc.

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RUSS CILIBRAISE

"I FEEL GREAT NOW. I REALLY FEEL LIKE I'M PHYSICALLY IN AS GOOD A CONDITION AS I WAS PRIOR TO GETTING THE CANCER."

THE COMEBACK

In 2010, at age 45, Russell Cilibraise should have felt at the top of his game. Living in Mount Pleasant, Michigan, he had just passed his 20th anniversary working for the State of Michigan. He exercised regularly, enjoying roller blading, kayaking, and other strenuous activities.

A love for the outdoors–and for his children–helped keep Russ focused on regaining energy and strength.

Suddenly, he developed a persistent cough and overwhelming fatigue. He went to the doctor but his tests were inconclusive. Then, he saw blood in his urine. Russ's doctor ordered a CT scan, which revealed a tumor in his left kidney. Surgeons removed the kidney, but within a few months the cancer had spread to his lungs.

"I was pretty scared. I asked the doctor, 'What's an expectation for how long I'll live?'" Russ says. "Probably anywhere from three to five years."

Russ's first thought was for his son and daughter and how they were going to be provided for. "I was a lot more concerned and scared inside than what I was sharing with them."

In November 2010, Russ's urologist told him there was a clinical trial for a new drug called nivolumab which was closing within weeks. Unfortunately, blood tests indicated that Russ's hemoglobin levels were too low for entry. "It was the week before Christmas. I was thinking it was probably my last," says Russ.

But finally, a stroke of luck. A follow-up blood test indicated that his hemoglobin level was now just high enough to meet the clinical trial criteria. He entered on the last day of admission.

After his first two treatments, Russ's energy and strength improved significantly.

By January 2016, the scans did not show any tumors. Russ's doctors stopped treatments.

"I feel great now. I really feel like I'm physically in as good a condition as I was prior to getting the cancer," Russ says.

Perhaps no one is more thankful than Russ's children. Says daughter Rachel, "If I could thank Bristol-Myers Squibb and all the people who made the drug personally, I would shake all of their hands and say, 'Thank you for helping my dad.'" o

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