

BRISTOL MYERS SQUIBB CO  
Form 10-Q  
April 25, 2019

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

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2019

OR

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

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

Commission File Number 1-1136

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

Delaware 22-0790350  
(State or other jurisdiction of (I.R.S Employer  
incorporation or organization) Identification No.)  
430 E. 29th Street, 14FL, New York, N.Y. 10016  
(Address of principal executive offices)  
(212) 546-4000  
(Registrant's telephone number, including area code)

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

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

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS:

At March 31, 2019, there were 1,635,705,782 shares outstanding of the Registrant's \$0.10 par value common stock.

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BRISTOL-MYERS SQUIBB COMPANY  
INDEX TO FORM 10-Q  
March 31, 2019

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\* Indicates brand names of products which are trademarks not owned by BMS. Specific trademark ownership information is included in the Exhibit Index at the end of this Quarterly Report on Form 10-Q.

## PART I—FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS  
BRISTOL-MYERS SQUIBB COMPANY  
CONSOLIDATED STATEMENTS OF EARNINGSDollars in Millions, Except Per Share Data  
(UNAUDITED)

|                                       | Three Months<br>Ended March 31, |         |
|---------------------------------------|---------------------------------|---------|
|                                       | 2019                            | 2018    |
| <b>EARNINGS</b>                       |                                 |         |
| Net product sales                     | \$5,713                         | \$4,972 |
| Alliance and other revenues           | 207                             | 221     |
| Total Revenues                        | 5,920                           | 5,193   |
| Cost of products sold                 | 1,844                           | 1,584   |
| Marketing, selling and administrative | 1,006                           | 980     |
| Research and development              | 1,351                           | 1,250   |
| Other income (net)                    | (260 )                          | (400 )  |
| Total Expenses                        | 3,941                           | 3,414   |
| Earnings Before Income Taxes          | 1,979                           | 1,779   |
| Provision for Income Taxes            | 264                             | 284     |
| Net Earnings                          | 1,715                           | 1,495   |
| Noncontrolling Interest               | 5                               | 9       |
| Net Earnings Attributable to BMS      | \$1,710                         | \$1,486 |
| Earnings per Common Share             |                                 |         |
| Basic                                 | \$1.05                          | \$0.91  |
| Diluted                               | 1.04                            | 0.91    |

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Dollars in Millions  
(UNAUDITED)

|  | Three Months<br>Ended March<br>31, |         |
|--|------------------------------------|---------|
|  | 2019                               | 2018    |
| <b>COMPREHENSIVE INCOME</b>  |                                    |         |
| Net Earnings   | \$1,715                            | \$1,495 |
| Other Comprehensive Income/(Loss), net of taxes and reclassifications to earnings: |                                    |         |
| Derivatives qualifying as cash flow hedges   | 14                                 | (19 )   |
| Pension and postretirement benefits  | 49                                 | 129     |
| Available-for-sale securities  | 26                                 | (26 )   |
| Foreign currency translation   | 29                                 | 5       |
| Other Comprehensive Income/(Loss)  | 118                                | 89      |
| Comprehensive Income   | 1,833                              | 1,584   |

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|  |         |         |
|--|---------|---------|
| Comprehensive Income Attributable to Noncontrolling Interest | 5       | 9       |
| Comprehensive Income Attributable to BMS                     | \$1,828 | \$1,575 |

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

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BRISTOL-MYERS SQUIBB COMPANY  
CONSOLIDATED BALANCE SHEETS

Dollars in Millions  
(UNAUDITED)

| ASSETS                        | March 31, December 31, |           |
|-------------------------------|------------------------|-----------|
|                               | 2019                   | 2018      |
| Current Assets:               |                        |           |
| Cash and cash equivalents     | \$ 7,335               | \$ 6,911  |
| Marketable securities         | 1,429                  | 1,973     |
| Receivables                   | 5,704                  | 5,965     |
| Inventories                   | 1,283                  | 1,195     |
| Prepaid expenses and other    | 1,342                  | 1,116     |
| Total Current Assets          | 17,093                 | 17,160    |
| Property, plant and equipment | 4,985                  | 5,027     |
| Goodwill                      | 6,536                  | 6,538     |
| Other intangible assets       | 1,026                  | 1,091     |
| Deferred income taxes         | 1,380                  | 1,371     |
| Marketable securities         | 1,233                  | 1,775     |
| Other assets                  | 2,581                  | 2,024     |
| Total Assets                  | \$ 34,834              | \$ 34,986 |

LIABILITIES

|                               |        |          |
|-------------------------------|--------|----------|
| Current Liabilities:          |        |          |
| Short-term debt obligations   | \$ 381 | \$ 1,703 |
| Accounts payable              | 1,976  | 1,892    |
| Accrued liabilities           | 5,856  | 6,489    |
| Deferred income               | 103    | 172      |
| Income taxes payable          | 525    | 398      |
| Total Current Liabilities     | 8,841  | 10,654   |
| Deferred income               | 448    | 468      |
| Income taxes payable          | 3,084  | 3,043    |
| Pension and other liabilities | 1,509  | 1,048    |
| Long-term debt                | 5,635  | 5,646    |
| Total Liabilities             | 19,517 | 20,859   |

Commitments and contingencies

EQUITY

|   |          |          |
|---|----------|----------|
| Bristol-Myers Squibb Company Shareholders' Equity:      |          |          |
| Preferred stock   | —        | —        |
| Common stock  | 221      | 221      |
| Capital in excess of par value of stock                 | 2,103    | 2,081    |
| Accumulated other comprehensive loss                    | (2,644)  | (2,762)  |
| Retained earnings                                       | 35,109   | 34,065   |
| Less cost of treasury stock                             | (19,571) | (19,574) |
| Total Bristol-Myers Squibb Company Shareholders' Equity | 15,218   | 14,031   |
| Noncontrolling interest                                 | 99       | 96       |
| Total Equity  | 15,317   | 14,127   |

Total Liabilities and Equity \$34,834 \$ 34,986

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

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BRISTOL-MYERS SQUIBB COMPANY  
CONSOLIDATED STATEMENTS OF CASH FLOWS

Dollars in Millions  
(UNAUDITED)

|   | Three Months<br>Ended March 31, |          |
|---|---------------------------------|----------|
|   | 2019                            | 2018     |
| Cash Flows From Operating Activities:   |                                 |          |
| Net earnings  | \$1,715                         | \$1,495  |
| Adjustments to reconcile net earnings to net cash provided by operating activities: |                                 |          |
| Depreciation and amortization, net  | 170                             | 143      |
| Deferred income taxes   | 2                               | 160      |
| Stock-based compensation  | 53                              | 55       |
| Impairment charges  | 45                              | 80       |
| Pension settlements and amortization  | 66                              | 50       |
| Divestiture gains and royalties   | (166 )                          | (255 )   |
| Asset acquisition charges   | —                               | 60       |
| Equity investment gains   | (175 )                          | (15 )    |
| Other adjustments   | (6 )                            | (14 )    |
| Changes in operating assets and liabilities:  |                                 |          |
| Receivables   | 236                             | 219      |
| Inventories   | 35                              | (4 )     |
| Accounts payable  | 136                             | (241 )   |
| Deferred income   | 15                              | 23       |
| Income taxes payable  | 196                             | 114      |
| Other   | (932 )                          | (695 )   |
| Net Cash Provided by Operating Activities   | 1,390                           | 1,175    |
| Cash Flows From Investing Activities:   |                                 |          |
| Sale and maturities of marketable securities  | 1,350                           | 442      |
| Purchase of marketable securities   | (242 )                          | (285 )   |
| Capital expenditures  | (204 )                          | (239 )   |
| Divestiture and other proceeds  | 171                             | 375      |
| Acquisition and other payments  | (15 )                           | (336 )   |
| Net Cash Provided by/(Used in) Investing Activities                                 | 1,060                           | (43 )    |
| Cash Flows From Financing Activities:   |                                 |          |
| Short-term debt obligations, net  | (73 )                           | (344 )   |
| Repayment of long-term debt   | (1,250 )                        | —        |
| Repurchase of common stock  | —                               | (167 )   |
| Dividends   | (669 )                          | (653 )   |
| Other   | (37 )                           | (58 )    |
| Net Cash Used in Financing Activities   | (2,029 )                        | (1,222 ) |
| Effect of Exchange Rates on Cash and Cash Equivalents                               | 3                               | 11       |
| Net Increase/(Decrease) in Cash and Cash Equivalents                                | 424                             | (79 )    |
| Cash and Cash Equivalents at Beginning of Period                                    | 6,911                           | 5,421    |
| Cash and Cash Equivalents at End of Period  | \$7,335                         | \$5,342  |

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





## Note 1. BASIS OF PRESENTATION AND RECENTLY ISSUED ACCOUNTING STANDARDS

### Basis of Consolidation

Bristol-Myers Squibb Company prepared these unaudited consolidated financial statements following the requirements of the SEC and U.S. GAAP for interim reporting. Under those rules, certain footnotes and other financial information that are normally required for annual financial statements can be condensed or omitted. The Company is responsible for the consolidated financial statements included in this Quarterly Report on Form 10-Q, which include all adjustments necessary for a fair presentation of the financial position at March 31, 2019 and December 31, 2018 and the results of operations and cash flows for the three months ended March 31, 2019 and 2018. All intercompany balances and transactions have been eliminated. These financial statements and the related notes should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2018 included in the 2018 Form 10-K. Refer to the Summary of Abbreviated Terms at the end of this Quarterly Report on Form 10-Q for terms used throughout the document.

### Business Segment Information

The Company operates in a single segment engaged in the discovery, development, licensing, manufacturing, marketing, distribution and sale of innovative medicines that help patients prevail over serious diseases. A global research and development organization and supply chain organization are responsible for the discovery, development, manufacturing and supply of products. Regional commercial organizations market, distribute and sell the products. The business is also supported by global corporate staff functions. The determination of a single segment is consistent with the financial information regularly reviewed by the chief executive officer for purposes of evaluating performance, allocating resources, setting incentive compensation targets, and planning and forecasting future periods. For further information on product and regional revenue, see “—Note 2. Revenue.”

### Use of Estimates and Judgments

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

### Reclassification

Certain prior period amounts were reclassified to conform to the current period presentation. Equity investment gains previously presented in Other adjustments in the consolidated statements of cash flows is now presented separately.

### Recently Adopted Accounting Standards

#### Leases

Amended guidance for lease accounting was adopted on January 1, 2019 using the modified retrospective method with the cumulative effect of the change recognized in retained earnings in the period of adoption. The new guidance requires an entity to recognize a right-of-use asset and a lease liability initially measured at the present value of future lease payments. The cumulative effect of the accounting change was not material. The Company elected the package of practical expedients upon adoption, and will apply the practical expedient not to separate lease and non-lease components for new and modified leases commencing after adoption. In addition, the Company applied the short-term

lease recognition exemption for leases with terms at inception not greater than 12 months. The amended guidance does not materially impact the Company's results of operations other than recognition of the operating lease right-of-use asset and lease liability.

#### Goodwill Impairment Testing

Amended guidance that simplifies the recognition and measurement of a goodwill impairment loss by eliminating Step 2 of the quantitative goodwill impairment test was adopted prospectively in the first quarter of 2019. Under the amended guidance, a goodwill impairment loss is recognized for the amount by which the reporting units carrying amount, including goodwill, exceeds its fair value up to the amount of its allocated goodwill. The adoption of the amended guidance did not have an impact on the Company's results of operations.

## Recently Issued Accounting Standards Not Yet Adopted

## 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. REVENUE

The following table summarizes the disaggregation of revenue by nature:

|                     | Three Months<br>Ended March<br>31, |         |
|---------------------|------------------------------------|---------|
| Dollars in Millions | 2019                               | 2018    |
| Net product sales   | \$5,713                            | \$4,972 |
| Alliance revenues   | 129                                | 152     |
| Other revenues      | 78                                 | 69      |
| Total Revenues      | \$5,920                            | \$5,193 |

The following table summarizes GTN adjustments:

|   | Three Months<br>Ended March 31, |          |
|---|---------------------------------|----------|
| Dollars in Millions                               | 2019                            | 2018     |
| Gross product sales                               | \$7,994                         | \$6,701  |
| GTN adjustments <sup>(a)</sup>                    |                                 |          |
| Charge-backs and cash discounts                   | (774 )                          | (583 )   |
| Medicaid and Medicare rebates                     | (800 )                          | (557 )   |
| Other rebates, returns, discounts and adjustments | (707 )                          | (589 )   |
| Total GTN adjustments                             | (2,281 )                        | (1,729 ) |
| Net product sales                                 | \$5,713                         | \$4,972  |

<sup>(a)</sup> Includes adjustments to provisions for product sales made in prior periods resulting from changes in estimates of \$78 million and \$50 million in the three months ended March 31, 2019 and 2018, respectively.

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

|                     | Three Months<br>Ended March<br>31, |         |
|---------------------|------------------------------------|---------|
| Dollars in Millions | 2019                               | 2018    |
| Prioritized Brands  |                                    |         |
| Opdivo              | \$1,801                            | \$1,511 |
| Eliquis             | 1,925                              | 1,506   |
| Orencia             | 640                                | 593     |
| Sprycel             | 459                                | 438     |
| Yervoy              | 384                                | 249     |
| Empliciti           | 83                                 | 55      |

Established Brands

|                |         |         |
|----------------|---------|---------|
| Baraclude      | 141     | 225     |
| Other Brands   | 487     | 616     |
| Total Revenues | \$5,920 | \$5,193 |

|                      |         |         |
|----------------------|---------|---------|
| United States        | \$3,449 | \$2,778 |
| Europe               | 1,480   | 1,406   |
| Rest of the World    | 874     | 873     |
| Other <sup>(a)</sup> | 117     | 136     |
| Total Revenues       | \$5,920 | \$5,193 |

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

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The following table summarizes contract assets as of March 31, 2019 and December 31, 2018:

| Dollars in Millions        | March 31, December 31, |       |
|----------------------------|------------------------|-------|
|                            | 2019                   | 2018  |
| Prepaid expenses and other | \$ 51                  | \$ 35 |
| Other assets               | 16                     | 19    |
| Total contract assets      | \$ 67                  | \$ 54 |

Revenue recognized from performance obligations satisfied in prior periods was \$147 million and \$150 million for the three months ended March 31, 2019 and 2018, respectively, consisting primarily of royalties for out-licensing arrangements and revised estimates for gross-to-net adjustments related to prior period sales.

### Note 3. ALLIANCES

BMS enters into collaboration arrangements with third parties for the research, development, manufacturing and/or 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 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. BMS refers to these collaborations as alliances and its partners as alliance partners.

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

| Dollars in Millions      | Three Months<br>Ended March 31, |         |
|--------------------------|---------------------------------|---------|
|                          | 2019                            | 2018    |
| Revenues from alliances: |                                 |         |
| Net product sales        | \$2,378                         | \$1,920 |
| Alliance revenues        | 129                             | 152     |
| Total Revenues           | \$2,507                         | \$2,072 |

#### Payments to/(from) alliance partners:

|                                       |         |       |
|---------------------------------------|---------|-------|
| Cost of products sold                 | \$1,019 | \$799 |
| Marketing, selling and administrative | (28 )   | (22 ) |
| Research and development              | 14      | 5     |
| Other income (net)                    | (14 )   | (14 ) |

#### Selected Alliance Balance Sheet information:

| Dollars in Millions                           | March 31, December 31, |        |
|---|------------------------|--------|
|   | 2019                   | 2018   |
| Receivables - from alliance partners          | \$ 334                 | \$ 395 |
| Accounts payable - to alliance partners       | 1,004                  | 904    |
| Deferred income from alliances <sup>(a)</sup> | 487                    | 491    |

(a) Includes unamortized upfront and milestone payments.

The nature and purpose, significant rights and obligations of the parties and specific accounting policy elections for each of the Company's significant alliances are discussed in the Company's 2018 Form 10-K. There were no

significant developments and updates related to alliances during 2019.

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## Note 4. DIVESTITURES AND OTHER ARRANGEMENTS

## Divestitures

The following table summarizes proceeds, gains and royalty income resulting from divestitures. Revenue and pretax earnings related to all divestitures and assets held-for-sale were not material in all periods presented (excluding divestiture gains).

|                          | Three Months Ended March 31, |       |                   |         |                |         |
|--------------------------|------------------------------|-------|-------------------|---------|----------------|---------|
|                          | Proceeds <sup>(a)</sup>      |       | Divestiture Gains |         | Royalty Income |         |
| Dollars in Millions      | 2019                         | 2018  | 2019              | 2018    | 2019           | 2018    |
| Diabetes Business        | \$164                        | \$88  | \$—               | \$—     | \$(165)        | \$(162) |
| Erbix* Business          | 5                            | 59    | —                 | —       | —              | (47 )   |
| Manufacturing Operations | 2                            | 158   | —                 | —       | —              | —       |
| Mature Brands and Other  | —                            | 70    | —                 | (45 )   | (1 )           | (1 )    |
| Total                    | \$171                        | \$375 | \$—               | \$(45 ) | \$(166)        | \$(210) |

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

## Manufacturing Operations

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

## Assets Held-For-Sale

In 2018, BMS agreed to sell its UPSA consumer health business for \$1.6 billion. The transaction is expected to close in July 2019 and will be accounted for as a sale of a business. Assets were reclassified to assets held-for-sale and included within Prepaid expenses and other and liabilities were reclassified to liabilities related to assets held-for-sale and included within Accrued liabilities. The following table summarizes the net assets held-for-sale as of March 31, 2019 and December 31, 2018.

| Dollars in Millions                         | March 31, December 31, |        |
|---|------------------------|--------|
|   | 2019                   | 2018   |
| Receivables                                 | \$ 73                  | \$ 79  |
| Inventories                                 | 87                     | 81     |
| Property, plant and equipment               | 190                    | 187    |
| Goodwill                                    | 127                    | 127    |
| Others                                      | 6                      | 5      |
| Assets held-for-sale                        | \$ 483                 | \$ 479 |
| Accounts payable                            | \$ 38                  | \$ 35  |
| Accrued liabilities                         | 59                     | 78     |
| Deferred income taxes                       | 24                     | 25     |
| Other liabilities                           | 23                     | 14     |
| Liabilities related to assets held-for-sale | \$ 144                 | \$ 152 |
| Net assets held-for-sale                    | \$ 339                 | \$ 327 |





## Note 5. OTHER INCOME (NET)

| Dollars in Millions                  | Three Months<br>Ended March<br>31, |         |
|--------------------------------------|------------------------------------|---------|
|                                      | 2019                               | 2018    |
| Interest expense                     | \$45                               | \$46    |
| Investment income                    | (56 )                              | (36 )   |
| Equity investment gains              | (175 )                             | (15 )   |
| Provision for restructuring          | 12                                 | 20      |
| Acquisition and integration expenses | 187                                | —       |
| Litigation and other settlements     | 1                                  | —       |
| Equity in net income of affiliates   | —                                  | (24 )   |
| Divestiture gains                    | —                                  | (45 )   |
| Royalties and licensing income       | (308 )                             | (367 )  |
| Transition and other service fees    | (2 )                               | (4 )    |
| Pension and postretirement           | 44                                 | (11 )   |
| Intangible asset impairment          | —                                  | 64      |
| Other                                | (8 )                               | (28 )   |
| Other income (net)                   | \$(260)                            | \$(400) |

## Note 6. RESTRUCTURING

In October 2016, the Company announced a restructuring plan to evolve and streamline its operating model. The majority of the charges are expected to be incurred through 2020, range between \$1.5 billion to \$2.0 billion and consist of employee termination benefit costs, contract termination costs, plant and equipment accelerated depreciation and impairment charges and other shutdown costs associated with early manufacturing and R&D site exits. Cash outlays in connection with these actions are expected to be approximately 40% to 50% of the total charges. Charges of approximately \$1.1 billion have been recognized for these actions since the announcement. Restructuring charges are recognized upon meeting certain criteria, including finalization of committed plans, reliable estimates and discussions with local works councils in certain markets.

Employee workforce reductions were approximately 50 and 100 for the three months ended March 31, 2019 and 2018, respectively.

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

| Dollars in Millions         | Three<br>Months<br>Ended<br>March 31, |      |
|-----------------------------|---------------------------------------|------|
|                             | 2019                                  | 2018 |
| Employee termination costs  | \$4                                   | \$9  |
| Other termination costs     | 8                                     | 11   |
| Provision for restructuring | 12                                    | 20   |
| Accelerated depreciation    | 31                                    | 21   |
| Asset impairments           | 1                                     | 10   |
| Other shutdown costs        | —                                     | 3    |
| Total charges               | \$44                                  | \$54 |

Three  
Months

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|                                       | Ended     |      |
|---------------------------------------|-----------|------|
| Dollars in Millions                   | March 31, |      |
|                                       | 2019      | 2018 |
| Cost of products sold                 | \$12      | \$13 |
| Marketing, selling and administrative | 1         | 1    |
| Research and development              | 19        | 20   |
| Other income (net)                    | 12        | 20   |
| Total charges                         | \$44      | \$54 |

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| Dollars in Millions                             | Three<br>Months<br>Ended<br>March 31, |       |
|---|---------------------------------------|-------|
|   | 2019                                  | 2018  |
| Liability at December 31                        | \$99                                  | \$186 |
| Cease-use lease liability reclassification (3 ) | —                                     | —     |
| Liability at January 1                          | 96                                    | 186   |
| Charges   | 15                                    | 20    |
| Change in estimates (3 )                        | —                                     | —     |
| Provision for restructuring                     | 12                                    | 20    |
| Foreign currency translation                    | —                                     | 5     |
| Payments (45 )                                  | (75 )                                 | (75 ) |
| Liability at March 31                           | \$63                                  | \$136 |

## Note 7. INCOME TAXES

| Dollars in Millions          | Three Months<br>Ended March 31, |         |
|------------------------------|---------------------------------|---------|
|                              | 2019                            | 2018    |
| Earnings Before Income Taxes | \$1,979                         | \$1,779 |
| Provision for Income Taxes   | 264                             | 284     |
| Effective Tax Rate           | 13.3 %                          | 16.0 %  |

The reduction in the effective tax rate was primarily due to the recognition of prior period tax credits in 2019. Jurisdictional tax rates and other tax impacts attributed to non-deductible R&D charges, equity investment fair value adjustments and other specified items decreased the effective tax rate by 1.2% in the three months ended March 31, 2019 and 2018. The tax impact of these discrete items are reflected immediately and are not considered in estimating the annual effective tax rate. Additional changes to the effective tax rate may occur in future periods due to various reasons including pretax earnings mix, tax reserves, cash repatriations and revised interpretations of the relevant tax code.

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

It is also reasonably possible that the total amount of unrecognized tax benefits at March 31, 2019 could decrease in the range of approximately \$355 million to \$395 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.

## Note 8. EARNINGS PER SHARE

Three Months  
Ended March

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| Amounts in Millions, Except Per Share Data                                  | 31,<br>2019 | 2018    |
|---|-------------|---------|
| Net Earnings Attributable to BMS used for Basic and Diluted EPS Calculation | \$1,710     | \$1,486 |
| Weighted-average common shares outstanding - basic                          | 1,634       | 1,633   |
| Incremental shares attributable to share-based compensation plans           | 3           | 7       |
| Weighted-average common shares outstanding - diluted                        | 1,637       | 1,640   |
| Earnings per share - basic  | \$1.05      | \$0.91  |
| Earnings per share - diluted  | 1.04        | 0.91    |

## Note 9. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

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

| Dollars in Millions  | March 31, 2019 |         | December 31, 2018 |         |
|--|----------------|---------|-------------------|---------|
|  | Level 1        | Level 2 | Level 1           | Level 2 |
| Cash and cash equivalents - money market and other investments | \$6,741        | \$6,173 | \$6,741           | \$6,173 |
| Marketable securities  |                |         |                   |         |
| Certificates of deposit  | —              | 658     | —                 | 971     |
| Commercial paper   | —              | 139     | —                 | 273     |
| Corporate debt securities                                      | —              | 1,865   | —                 | 2,379   |
| Equity investments   | —              | —       | —                 | 125     |
| Derivative assets  | —              | 63      | —                 | 44      |
| Equity investments   | 162            | 72      | 88                | 266     |
| Derivative liabilities   | (10)           | —       | (31)              | —       |

As further described in “Item 8. Financial Statements and Supplementary Data—Note 9. Financial Instruments and Fair Value Measurements” in the Company's 2018 Form 10-K, the Company's fair value estimates use inputs that are either (1) quoted prices for identical assets or liabilities in active markets (Level 1 inputs); (2) observable prices for similar assets or liabilities in active markets or for identical or similar assets or liabilities in markets that are not active (Level 2 inputs); or (3) unobservable inputs (Level 3 inputs). There were no Level 3 financial assets or liabilities as of March 31, 2019 and December 31, 2018.

## Available-for-sale Debt Securities and Equity Investments

Changes in fair value of equity investments are included in Other income (net). The following table summarizes the Company's debt and equity securities, classified as available-for-sale:

| Dollars in Millions       | March 31, 2019 |                         |            | December 31, 2018 |                         |            |
|---------------------------|----------------|-------------------------|------------|-------------------|-------------------------|------------|
|                           | Gross          |                         | Fair Value | Gross             |                         | Fair Value |
|                           | Amortized Cost | Unrealized Gains/Losses |            | Amortized Cost    | Unrealized Gains/Losses |            |
| Certificates of deposit   | \$658          | \$—                     | \$658      | \$971             | \$—                     | \$971      |
| Commercial paper          | 139            | —                       | 139        | 273               | —                       | 273        |
| Corporate debt securities | 1,876          | (11)                    | 1,865      | 2,416             | (37)                    | 2,379      |
|                           | \$2,673        | \$(11)                  | \$2,662    | \$3,660           | \$(37)                  | \$3,623    |
| Equity investments        |                |                         | 436        |                   |                         | 479        |
| Total                     |                |                         | \$3,098    |                   |                         | \$4,102    |

| Dollars in Millions                              | March 31, 2019 | December 31, 2018 |
|--|----------------|-------------------|
| Current marketable securities                    | \$ 1,429       | \$ 1,973          |
| Non-current marketable securities <sup>(a)</sup> | 1,233          | 1,775             |
| Other assets                                     | 436            | 354               |
| Total  | \$ 3,098       | \$ 4,102          |

(a) All non-current marketable securities mature within five years as of March 31, 2019 and December 31, 2018.

Equity investments not measured at fair value and excluded from the above table were limited partnerships and other equity method investments of \$126 million at March 31, 2019 and \$114 million at December 31, 2018 and other

equity investments without readily determinable fair values of \$208 million at March 31, 2019 and \$206 million at December 31, 2018. These amounts are included in Other assets.

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The following table summarizes the net gain recorded for equity investments with readily determinable fair values held as of March 31, 2019 and 2018:

| Dollars in Millions  | Three<br>Months<br>Ended<br>March 31,<br>2019 | 2018  |
|--|---|-------|
| Net gain/(loss) recognized                                   | \$95  | \$ 15 |
| Less: Net gain/(loss) recognized for equity investments sold | 14  | —     |
| Net unrealized gain/(loss) on equity investments held        | \$81  | \$ 15 |

### Qualifying Hedges and Non-Qualifying Derivatives

**Cash Flow Hedges** — Foreign currency forward contracts are used to hedge certain forecasted intercompany inventory purchases and sales transactions and certain foreign currency transactions. The fair value for contracts designated as cash flow hedges is temporarily reported in Accumulated other comprehensive loss and included in earnings when the hedged item affects earnings. Upon adoption of the amended guidance for derivatives and hedging, the entire change in fair value of the hedging instrument included in the assessment of hedge effectiveness is recorded in the derivatives qualifying as cash flow hedges component of Other Comprehensive (Loss)/Income. The net gain or loss on foreign currency forward contracts is expected to be reclassified to net earnings (primarily included in Cost of products sold) within the next 12 months. The notional amount of outstanding foreign currency forward contracts was primarily attributed to the euro of \$1.0 billion and Japanese yen of \$508 million at March 31, 2019.

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

**Net Investment Hedges** — Non-U.S. dollar borrowings of €950 million (\$1.1 billion) at March 31, 2019 are designated to hedge euro currency exposures of the net investment in certain foreign affiliates. These borrowings are designated as net investment hedges and recognized in long-term debt. The effective portion of foreign exchange gain or loss on the remeasurement of euro debt was \$8 million gain in 2019 and \$46 million loss in 2018 and were recorded in the foreign currency translation component of Accumulated other comprehensive loss with the related offset in long-term debt.

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

**Fair Value Hedges** — Fixed to floating interest rate swap contracts are designated as fair value hedges and used as an interest rate risk management strategy to create an appropriate balance of fixed and floating rate debt. The contracts and underlying debt for the hedged benchmark risk are recorded at fair value. The effective interest rate for the contracts is one-month LIBOR (2.5% as of March 31, 2019) plus an interest rate spread of 4.6%. Gains or losses resulting from changes in fair value of the underlying debt attributable to the hedged benchmark interest rate risk are recorded in interest expense with an associated offset to the carrying value of debt. Since the specific terms and



notional amount of the swap are intended to match those of the debt being hedged, all changes in fair value of the swap are recorded in interest expense with an associated offset to the derivative asset or liability on the consolidated balance sheet. As a result, there was no net impact in earnings. When the underlying swap is terminated prior to maturity, the fair value adjustment to the underlying debt is amortized as a reduction to interest expense over the remaining term of the debt.

Following the announcement of our pending acquisition of Celgene, the Company entered into forward starting interest rate swap option contracts, with a total notional value of \$7.6 billion, to hedge future interest rate risk associated with the anticipated issuance of long-term debt to fund the acquisition. A fair value loss adjustment of \$35 million was recognized in the first quarter of 2019 and was included in Other income (net).

In April 2019, the Company entered into deal contingent forward starting interest rate swap contracts, with an aggregate notional principal amount of \$10.4 billion, to hedge future interest rate risk associated with the anticipated issuance of long-term debt to fund the planned Celgene acquisition. The option contracts that the Company entered into following the announcement of the planned acquisition of Celgene were terminated contemporaneously with the Company's entry into the deal contingent contracts.

The following table summarizes the fair value of outstanding derivatives:

| Dollars in Millions                            | March 31, 2019            |                           | December 31, 2018         |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | Asset <sup>(a)</sup>      | Liability <sup>(b)</sup>  | Asset <sup>(a)</sup>      | Liability <sup>(b)</sup>  |
|  | Fair<br>Notional<br>Value | Fair<br>Notional<br>Value | Fair<br>Notional<br>Value | Fair<br>Notional<br>Value |
| Derivatives designated as hedging instruments: |                           |                           |                           |                           |
| Interest rate swap contracts                   | \$-\$                     | —\$255 \$ (3 )            | \$-\$                     | —\$755 \$ (10 )           |
| Cross-currency interest rate swap contracts    | 172                       | 125 (1 )                  | 50—                       | 250 (5 )                  |
| Foreign currency forward contracts             | 1,642                     | 302 (4 )                  | 1,508                     | 496 (10 )                 |

Derivatives not designated as hedging instruments:

|   |       |         |     |          |
|---|-------|---------|-----|----------|
| Foreign currency forward contracts          | 532   | 69 (2 ) | 54— | 600 (6 ) |
| Forward starting interest rate swap options | 7,600 | — —     | —   | — —      |

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

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

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

| Dollars in Millions                         | Three Months Ended   |  |
|---|--|--|
|   | March 31,  |  |
|   | 2019   | 2018   |
|   | Cost<br>of<br>Other<br>income<br>products<br>(net)<br>sold | Cost<br>of<br>Other<br>income<br>products<br>(net)<br>sold |
| Interest rate swap contracts                | \$-\$ 5  | \$—\$ 7  |
| Cross-currency interest rate swap contracts | —2   | — 2  |
| Foreign currency forward contracts          | 30(9 )   | (20) (9 )  |
| Forward starting interest rate swap options | —(35 )   | — —  |

The following table summarizes the effect of derivative and non-derivative instruments designated as hedging instruments in Other Comprehensive Income/(Loss):

| Dollars in Millions  | Three<br>Months<br>Ended<br>March 31, |        |
|--|---------------------------------------|--------|
|  | 2019                                  | 2018   |
| Derivatives qualifying as cash flow hedges                     |                                       |        |
| Foreign currency forward contracts gain/(loss):                |                                       |        |
| Recognized in Other Comprehensive Income/(Loss) <sup>(a)</sup> | \$45                                  | \$(38) |
| Reclassified to Cost of products sold                          | (30)                                  | 20     |

Derivatives qualifying as net investment hedges

|  |   |       |
|--|---|-------|
| Cross-currency interest rate swap contracts gain/(loss): |   |       |
| Recognized in Other Comprehensive Income/(Loss)          | 6 | (16 ) |

Non-derivatives qualifying as net investment hedges

Non U.S. dollar borrowings gain/(loss):

Recognized in Other Comprehensive Income/(Loss) 8 (46 )

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

Debt Obligations

Short-term debt obligations include:

| Dollars in Millions               | March 31,<br>2019 | December 31,<br>2018 |
|-----------------------------------|-------------------|----------------------|
| Non-U.S. short-term borrowings    | \$ 321            | \$ 320               |
| Current portion of long-term debt | —                 | 1,249                |
| Other                             | 60                | 134                  |
| Total                             | \$ 381            | \$ 1,703             |

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

| Dollars in Millions                                 | March 31, December 31, |          |
|---|------------------------|----------|
|   | 2019                   | 2018     |
| Principal Value                                     | \$ 5,513               | \$ 6,776 |
| Adjustments to Principal Value                      |                        |          |
| Fair value of interest rate swap contracts          | (3 )                   | (10 )    |
| Unamortized basis adjustment from swap terminations | 194                    | 201      |
| Unamortized bond discounts and issuance costs       | (69 )                  | (72 )    |
| Total   | \$ 5,635               | \$ 6,895 |
| Current portion of long-term debt                   | \$ —                   | \$ 1,249 |
| Long-term debt                                      | 5,635                  | 5,646    |

The fair value of long-term debt was \$5.9 billion at March 31, 2019 and \$7.1 billion at December 31, 2018 valued using Level 2 inputs. Interest payments were \$57 million and \$59 million for the three months ended March 31, 2019 and 2018, respectively, net of amounts related to interest rate swap contracts.

During the first quarter of 2019, the \$750 million 1.600% Notes and the \$500 million 1.750% Notes matured and were repaid.

As of March 31, 2019, the Company had four revolving credit facilities totaling \$6.0 billion, which consisted of a 364-day \$2.0 billion facility expiring in January 2020, two five-year \$1.5 billion facilities that were extended to September 2022 and July 2023, respectively, and a \$1.0 billion facility expiring in January 2022. All of these facilities provide for customary terms and conditions with no financial covenants and may be used to provide backup liquidity for the Company's commercial paper borrowings. The Company's \$1.0 billion facility and the Company's two \$1.5 billion revolving facilities are extendable annually by one year on the anniversary date with the consent of the lenders. No borrowings were outstanding under any revolving credit facility at March 31, 2019 or December 31, 2018.

In connection with the Company's pending acquisition of Celgene, in January 2019 the Company entered into a bridge commitment letter that provides for up to \$33.5 billion in a 364-day senior unsecured bridge facility. The Company also entered into an \$8.0 billion term loan credit agreement consisting of a \$1.0 billion 364-day tranche, a \$4.0 billion three-year tranche and a \$3.0 billion five-year tranche. The term loan reduced the commitments under the bridge facility to \$25.5 billion. If the Company obtains additional funding by issuing securities or obtaining other loans, the amount of the bridge facility will be correspondingly reduced. The bridge facility and the term loan are subject to customary terms and conditions and do not have any financial covenants. No amounts will be borrowed under either the bridge facility or the term loan prior to the closing of the pending acquisition of Celgene. If drawn upon, the proceeds under the bridge facility and the term loan will be used solely to fund a portion of the cash to be paid in the pending acquisition of Celgene, the anticipated refinancing of debt of Celgene and the payment of related fees and expenses.

#### Note 10. RECEIVABLES

| Dollars in Millions                  | March 31, December 31, |          |
|--------------------------------------|------------------------|----------|
|                                      | 2019                   | 2018     |
| Trade receivables                    | \$ 4,873               | \$ 4,914 |
| Less charge-backs and cash discounts | (241 )                 | (245 )   |
| Less bad debt allowances             | (38 )                  | (33 )    |
| Net trade receivables                | 4,594                  | 4,636    |
| Prepaid and refundable income taxes  | 158                    | 218      |
| Alliance, royalties, VAT and other   | 952                    | 1,111    |

|             |          |          |
|-------------|----------|----------|
| Receivables | \$ 5,704 | \$ 5,965 |
|-------------|----------|----------|

Non-U.S. receivables sold on a nonrecourse basis were \$174 million and \$203 million for the three months ended March 31, 2019 and 2018, respectively. Receivables from the Company's three largest pharmaceutical wholesalers in the U.S. represented 70% of total trade receivables at March 31, 2019 and December 31, 2018.

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## Note 11. INVENTORIES

| Dollars in Millions         | March 31, December 31, |          |
|-----------------------------|------------------------|----------|
|                             | 2019                   | 2018     |
| Finished goods              | \$ 448                 | \$ 396   |
| Work in process             | 934                    | 1,026    |
| Raw and packaging materials | 214                    | 202      |
| Total inventories           | \$ 1,596               | \$ 1,624 |
| Inventories                 | \$ 1,283               | \$ 1,195 |
| Other assets                | 313                    | 429      |

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

## Note 12. PROPERTY, PLANT AND EQUIPMENT

| Dollars in Millions                 | March 31, December 31, |          |
|-------------------------------------|------------------------|----------|
|                                     | 2019                   | 2018     |
| Land                                | \$ 105                 | \$ 104   |
| Buildings                           | 5,286                  | 5,231    |
| Machinery, equipment and fixtures   | 3,043                  | 2,962    |
| Construction in progress            | 477                    | 548      |
| Gross property, plant and equipment | 8,911                  | 8,845    |
| Less accumulated depreciation       | (3,926 )               | (3,818 ) |
| Property, plant and equipment       | \$ 4,985               | \$ 5,027 |

Depreciation expense was \$133 million and \$113 million for the three months ended March 31, 2019 and 2018, respectively.

## Note 13. LEASES

The Company leases facilities for office, research and development, and storage and distribution purposes, comprising approximately 90% of the total lease obligation. Lease terms vary based on the nature of operations and the market dynamics in each country; however, all leased facilities are classified as operating leases with remaining lease terms between one and 20 years. Most leases contain specific renewal options for periods ranging between one and 10 years where notice to renew must be provided in advance of lease expiration or automatic renewals where no advance notice is required. Periods covered by an option to extend the lease were included in the non-cancellable lease term when exercise of the option was determined to be reasonably certain. Certain leases also contain termination options that provide the flexibility to terminate the lease ahead of its expiration with sufficient advance notice. Periods covered by an option to terminate the lease were included in the non-cancellable lease term when exercise of the option was determined not to be reasonably certain. Judgment is required in assessing whether renewal and termination options are reasonably certain to be exercised. The Company considers factors such as contractual terms compared to current market rates, leasehold improvements expected to have significant value, costs to terminate a lease and the importance of the facility to the Company's operations. Costs determined to be variable and not based on an index or rate were not included in the measurement of real estate lease liabilities. As most leases do not provide an implicit rate, the Company's incremental borrowing rate was applied on a portfolio approach to discount its real estate lease liabilities.

The remaining 10% of the Company's total lease obligation is comprised of vehicles used primarily by the Company's salesforce, and an R&D facility operated by a third party under BMS direction. Vehicle lease terms vary by country with terms generally between one and four years.

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The following table summarizes the components of lease expense for the three months ended March 31, 2019:

| Dollars in Millions           | 2019  |
|-------------------------------|-------|
| Operating lease cost          | \$ 27 |
| Variable lease cost           | 6     |
| Short-term lease cost         | 5     |
| Sublease income               | —     |
| Total operating lease expense | \$ 38 |

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Operating lease right-of-use assets and liabilities were as follows as of March 31, 2019 and January 1, 2019:

| Dollars in Millions           | March 31, January 1,<br>2019 2019 |        |
|-------------------------------|-----------------------------------|--------|
| Other assets                  | \$ 527                            | \$ 543 |
| Accrued liabilities           | 40                                | 40     |
| Pension and other liabilities | 529                               | 548    |
| Total liabilities             | \$ 569                            | \$ 588 |

As of December 31, 2018, annual minimum rental commitments for non-cancellable operating leases were approximately \$100 million in each of the next five years and an aggregate \$200 million thereafter.

Future lease payments for non-cancellable operating leases as of March 31, 2019 were as follow:

| Dollars in Millions                                    | Operating<br>Leases |
|--|---------------------|
| 2019 (excluding the three months ended March 31, 2019) | \$ 35               |
| 2020   | 86                  |
| 2021   | 76                  |
| 2022   | 70                  |
| 2023   | 62                  |
| Thereafter   | 395                 |
| Total future lease payments                            | 724                 |
| Less imputed interest                                  | 155                 |
| Total lease liability                                  | \$ 569              |

Right-of-use assets obtained in exchange for new operating lease obligations were not material for the three months ended March 31, 2019. Other information related to operating leases for the three months ended March 31, 2019 was as follows:

Dollars in Millions, except lease term and discount rate

|  |      |
|--|------|
| Cash paid for amounts included in the measurement of operating lease liabilities | \$29 |
| Weighted-average remaining lease term (in years)                                 | 11   |
| Weighted-average discount rate   | 4 %  |

#### Note 14. GOODWILL AND OTHER INTANGIBLE ASSETS

| Dollars in Millions           | Estimated Useful Lives | March 31, December 31,<br>2019 2018 |          |
|-------------------------------|------------------------|-------------------------------------|----------|
| Goodwill                      |                        | \$ 6,536                            | \$ 6,538 |
| Other intangible assets:      |                        |                                     |          |
| Licenses                      | 5 – 15 years           | \$ 497                              | \$ 510   |
| Developed technology rights   | 9 – 15 years           | 2,357                               | 2,357    |
| Capitalized software          | 3 – 10 years           | 1,166                               | 1,156    |
| IPRD                          |                        | —                                   | 32       |
| Gross other intangible assets |                        | 4,020                               | 4,055    |
| Less accumulated amortization |                        | (2,994 )                            | (2,964 ) |
| Other intangible assets       |                        | \$ 1,026                            | \$ 1,091 |



Amortization expense was \$53 million and \$46 million for the three months ended March 31, 2019 and 2018, respectively.

In the first quarter of 2019, a \$32 million IPRD impairment charge was recorded in Research and development following our decision to discontinue development of an investigational compound obtained in the acquisition of Medarex. In the first quarter of 2018, a \$64 million impairment charge was recorded in Other income (net) for an out-licensed asset obtained in the 2010 acquisition of ZymoGenetics, Inc., which did not meet its primary endpoint in a Phase II clinical study.

## Note 15. ACCRUED LIABILITIES

| Dollars in Millions                         | March 31, December 31, |          |
|---|------------------------|----------|
|   | 2019                   | 2018     |
| Rebates and returns                         | \$ 2,404               | \$ 2,417 |
| Employee compensation and benefits          | 352                    | 848      |
| Research and development                    | 861                    | 805      |
| Dividends                                   | 671                    | 669      |
| Royalties                                   | 300                    | 391      |
| Branded Prescription Drug Fee               | 214                    | 188      |
| Liabilities related to assets held-for-sale | 144                    | 152      |
| Litigation and other settlements            | 79                     | 118      |
| Operating lease liabilities                 | 40                     | —        |
| Restructuring                               | 53                     | 85       |
| Pension and postretirement benefit          | 35                     | 35       |
| Other                                       | 703                    | 781      |
| Accrued liabilities                         | \$ 5,856               | \$ 6,489 |

## Note 16. EQUITY

The following table summarizes changes in equity for the three months ended March 31, 2019:

| Dollars and Shares in Millions                       | Common Stock |           | Capital in Excess of Par Value of Stock |       | Accumulated Other Comprehensive Loss |       | Retained Earnings |       | Treasury Stock |       | Noncontrolling Interest |
|--|--------------|-----------|---|-------|--------------------------------------|-------|-------------------|-------|----------------|-------|-------------------------|
|  | Shares       | Par Value | Value                                   | Value | Loss                                 | Share | Cost              | Share | Cost           |       |                         |
| Balance at December 31, 2018                         | 2,208        | \$ 221    | \$ 2,081                                |       | \$ (2,762)                           | )     | \$ 34,065         | 576   | \$(19,574)     | \$ 96 |                         |
| Accounting change - cumulative effect <sup>(a)</sup> | —            | —         | —                                       |       | —                                    |       | 5                 | —     | —              | —     |                         |
| Adjusted balance at January 1, 2019                  | 2,208        | 221       | 2,081                                   |       | (2,762)                              | )     | 34,070            | 576   | (19,574)       | ) 96  |                         |
| Net earnings   | —            | —         | —                                       |       | —                                    |       | 1,710             | —     | —              | 5     |                         |
| Other Comprehensive Income/(Loss)                    | —            | —         | —                                       |       | 118                                  |       | —                 | —     | —              | —     |                         |
| Cash dividends declared <sup>(b)</sup>               | —            | —         | —                                       |       | —                                    |       | (671)             | )     | —              | —     |                         |
| Stock compensation                                   | —            | —         | 22                                      |       | —                                    |       | —                 | (4)   | ) 3            | —     |                         |
| Distributions  | —            | —         | —                                       |       | —                                    |       | —                 | —     | —              | (2)   |                         |
| Balance at March 31, 2019                            | 2,208        | \$ 221    | \$ 2,103                                |       | \$ (2,644)                           | )     | \$ 35,109         | 572   | \$(19,571)     | \$ 99 |                         |

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

(b) Cash dividends declared per common share were \$0.41 for the three months ended March 31, 2019.

The following table summarizes changes in equity for the three months ended March 31, 2018:

| Dollars and Shares in Millions                       | Common Stock |           | Capital in Excess of Par Value of Stock |       | Accumulated Other Comprehensive Loss |       | Retained Earnings |       | Treasury Stock |        | Noncontrolling Interest |
|--|--------------|-----------|---|-------|--------------------------------------|-------|-------------------|-------|----------------|--------|-------------------------|
|  | Shares       | Par Value | Value                                   | Value | Loss                                 | Share | Cost              | Share | Cost           |        |                         |
| Balance at December 31, 2017                         | 2,208        | \$ 221    | \$ 1,898                                |       | \$ (2,289)                           | )     | \$ 31,160         | 575   | \$(19,249)     | \$ 106 |                         |
| Accounting change - cumulative effect <sup>(a)</sup> | —            | —         | —                                       |       | (34)                                 | )     | 332               | —     | —              | —      |                         |

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|  |       |        |          |            |            |     |            |        |
|--|-------|--------|----------|------------|------------|-----|------------|--------|
| Adjusted balance at January 1, 2018    | 2,208 | \$ 221 | \$ 1,898 | \$ (2,323) | ) \$31,492 | 575 | \$(19,249) | \$ 106 |
| Net earnings                           | —     | —      | —        | —          | 1,486      | —   | —          | 9      |
| Other Comprehensive Income/(Loss)      | —     | —      | —        | 89         | —          | —   | —          | —      |
| Cash dividends declared <sup>(b)</sup> | —     | —      | —        | —          | (655)      | ) — | —          | —      |
| Stock repurchase program               | —     | —      | —        | —          | —          | 3   | (166)      | ) —    |
| Stock compensation                     | —     | —      | 18       | —          | —          | (4) | (18)       | ) —    |
| Distributions                          | —     | —      | —        | —          | —          | —   | —          | (2)    |
| Balance at March 31, 2018              | 2,208 | \$ 221 | \$ 1,916 | \$ (2,234) | ) \$32,323 | 574 | \$(19,433) | \$ 113 |

Refer to “—Note 1. Accounting Policies and Recently Issued Accounting Standards” in the Company's 2018 Form 10-K for additional information.

(b) Cash dividends declared per common share were \$0.40 for the three months ended March 31, 2018.

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, as amended (the Exchange Act). 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.

The components of Other Comprehensive Income/(Loss) were as follows in the three months ended March 31:

| Dollars in Millions                         | 2019   |        |           | 2018    |        |           |
|---|--------|--------|-----------|---------|--------|-----------|
|   | Pretax | Tax    | After tax | Pretax  | Tax    | After tax |
| Derivatives qualifying as cash flow hedges: |        |        |           |         |        |           |
| Unrealized gains/(losses)                   | \$45   | \$(5 ) | \$ 40     | \$(38 ) | \$6    | \$( 32 )  |
| Reclassified to net earnings <sup>(a)</sup> | (30 )  | 4      | (26 )     | 20      | (7 )   | 13        |
| Derivatives qualifying as cash flow hedges  | 15     | (1 )   | 14        | (18 )   | (1 )   | (19 )     |
| Pension and postretirement benefits:        |        |        |           |         |        |           |
| Actuarial (losses)/gains                    | (2 )   | —      | (2 )      | 112     | (24 )  | 88        |
| Amortization <sup>(b)</sup>                 | 17     | (4 )   | 13        | 20      | (3 )   | 17        |
| Settlements <sup>(b)</sup>                  | 49     | (11 )  | 38        | 31      | (7 )   | 24        |
| Pension and postretirement benefits         | 64     | (15 )  | 49        | 163     | (34 )  | 129       |
| Available-for-sale securities:              |        |        |           |         |        |           |
| Unrealized gains/(losses)                   | 23     | —      | 23        | (32 )   | 6      | (26 )     |
| Realized (gains)/losses                     | 3      | —      | 3         | —       | —      | —         |
| Available-for-sale securities               | 26     | —      | 26        | (32 )   | 6      | (26 )     |
| Foreign currency translation                | 32     | (3 )   | 29        | (7 )    | 12     | 5         |
| Total Other Comprehensive Income/(Loss)     | \$ 137 | \$(19) | \$ 118    | \$ 106  | \$(17) | \$ 89     |

(a) Included in Cost of products sold.

(b) Included in Other income (net).

The accumulated balances related to each component of Other Comprehensive Income/(Loss), net of taxes, were as follows:

| Dollars in Millions                        | March 31, December 31, |             |
|--|------------------------|-------------|
|  | 2019                   | 2018        |
| Derivatives qualifying as cash flow hedges | \$ 65                  | \$ 51       |
| Pension and postretirement benefits        | (2,053 )               | (2,102 )    |
| Available-for-sale securities              | (4 )                   | (30 )       |
| Foreign currency translation               | (652 )                 | (681 )      |
| Accumulated other comprehensive loss       | \$(2,644 )             | \$( 2,762 ) |

#### Note 17. RETIREMENT BENEFITS

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 (the Plan), covering most U.S. employees and representing approximately 66% of the consolidated pension plan assets and 60% 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. As of March 31, 2019, Plan assets consist primarily of fixed-income

securities.

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In December 2018, BMS announced plans to fully terminate the Plan. Pension obligations related to the Plan of \$3.7 billion will be distributed through a combination of lump sum payments to eligible Plan participants who elect such payments and through the purchase of a group annuity contract from Athene Annuity and Life Company (Athene), a wholly-owned insurance subsidiary of Athene Holding Ltd. The benefit obligation for the Plan as of March 31, 2019 was therefore determined on a plan termination basis for which it is assumed that a portion of eligible active and deferred vested participants will elect lump sum payments. The remaining obligation expected to be transferred to Athene includes an annuity purchase price premium. The Plan has sufficient assets to satisfy all transaction obligations. The transaction is expected to close in the third quarter of 2019 at which time the Company expects to record a total non-cash pre-tax pension settlement charge of approximately \$1.5 billion to \$2.0 billion.

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

|  | Three<br>Months<br>Ended<br>March 31, |       |
|--|---------------------------------------|-------|
| Dollars in Millions                            | 2019                                  | 2018  |
| Service cost – benefits earned during the year | \$7                                   | \$7   |
| Interest cost on projected benefit obligation  | 44                                    | 46    |
| Expected return on plan assets                 | (64)                                  | (109) |
| Amortization of prior service credits          | (1)                                   | (1)   |
| Amortization of net actuarial loss             | 18                                    | 21    |
| Curtailments and settlements                   | 49                                    | 31    |
| Net periodic pension benefit cost/(credit)     | \$53                                  | \$(5) |

Pension settlement charges were recognized after determining that the annual lump sum payments will likely exceed the annual interest and service costs for the primary and certain other U.S. and international pension plans. The charges included the acceleration of a portion of unrecognized actuarial losses. Non-current pension liabilities were \$423 million at March 31, 2019 and \$427 million at December 31, 2018. Defined contribution plan expense in the U.S. was approximately \$40 million for the three months ended March 31, 2019 and 2018. Comprehensive medical and group life benefits are provided for substantially all U.S. retirees electing to participate in comprehensive medical and group life plans and to a lesser extent certain benefits for non-U.S. employees. The net periodic benefit credits were not material in both periods.

#### Note 18. LEGAL PROCEEDINGS AND CONTINGENCIES

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

Although the Company believes it has substantial defenses in these matters, there can be no assurance that there will not be an increase in the scope of pending matters or that any future lawsuits, claims, government investigations or other legal proceedings will not be material. Unless otherwise noted, the Company is unable to assess the outcome of

the respective litigation nor is it able to provide an estimated range of potential loss. Furthermore, failure to enforce the Company's patent rights would likely result in substantial decreases in the respective product revenues from generic competition.

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## 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 (\$319 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 2019.

### Sprycel - Europe

In May 2013, Apotex, Actavis Group PTC ehf, Generics [UK] Limited (Mylan) and an unnamed company filed oppositions in the EPO seeking revocation of European Patent No. 1169038 (the '038 patent) covering dasatinib, the active ingredient in Sprycel. 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 the Company's 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. In December 2018, the EPO's Opposition Division upheld the validity of the patent directed to the use of dasatinib to treat CML, which expires in 2024. The Company intends to take appropriate legal actions to protect Sprycel. Generics have been approved in certain EU markets. 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. In February 2019, the Company settled the lawsuit with Pfizer. A bench trial in the lawsuit with Dana-Farber began on February 4, 2019. A decision is expected in 2019.

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 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 U.S. Patent and Trademark Office granted patent term restoration to the composition of matter patent, thereby restoring the term of the Eliquis composition of matter patent, which is the Company's basis for projected LOE, from February 2023 to November 2026. The Company has settled lawsuits with a number of aNDA filers through March 2019. The settlements do not affect the Company's projected LOE for Eliquis. A trial with the remaining aNDA filers is scheduled for October 2019 in the U.S. District Court for the District of Delaware.

## 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 the attorneys general of Hawaii and New Mexico 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.

### Byetta\*

Amylin, a former subsidiary of the Company, and Lilly are co-defendants in product liability litigation related to Byetta\*. To date, there are over 500 separate lawsuits pending on behalf of approximately 2,000 active plaintiffs (including pending settlements), which include injury plaintiffs as well as claims by spouses and/or other beneficiaries, in various courts in the U.S. The majority of these cases have been brought by individuals who allege personal injury sustained after using Byetta\*, primarily pancreatic cancer, and, in some cases, claiming alleged wrongful death. The majority of cases are pending in Federal Court in San Diego in an MDL or in a coordinated proceeding in California Superior Court in Los Angeles (JCCP). In November 2015, the defendants' motion for summary judgment based on federal preemption was granted in both the MDL and the JCCP. In November 2017, the Ninth Circuit reversed the MDL summary judgment order and remanded the case to the MDL. In November 2018, the California Court of Appeal reversed the state court dismissal and the state court cases were remanded to the JCCP for further proceedings. 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 2,000 cases filed in state and federal courts and additional cases are pending in Canada. The Judicial Panel on Multidistrict Litigation consolidated the federal court cases for pretrial purposes in the United States District Court for the Northern District of Florida. On February 15, 2019, the Company and Otsuka entered into a master settlement agreement establishing a proposed settlement program to resolve all Abilify\* compulsivity claims filed as of January 28, 2019 in the MDL as well as the various state courts, including California and New Jersey.

### 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. As of April 2019, no claims remain pending in the MDL in the U.S District Court for the Southern District of New York or in state court. One case remains pending in Canada. Over 200 cases have been dismissed with prejudice in the MDL. The claims of 23 plaintiffs were appealed to the Second Circuit Court of Appeals which, in March 2019, affirmed the MDL's dismissals. There were several additional appeals that were stayed pending the outcome of the Second Circuit's decision. These stays have been lifted.

### Onglyza\*

The Company and AstraZeneca are co-defendants in product liability litigation related to Onglyza\*. Plaintiffs assert claims, including claims for wrongful death, as a result of heart failure or other cardiovascular injuries they allege were caused by their use of Onglyza\*. As of March 2019, claims are pending in state and federal court on behalf of

approximately 275 individuals who allege they ingested the product and suffered an injury. In February 2018, the Judicial Panel on Multidistrict Litigation ordered all federal cases to be transferred to an MDL in the U.S. District Court for the Eastern District of Kentucky. A significant majority of the claims are pending in the MDL. As part of the Company's global diabetes business divestiture, the Company sold Onglyza\* to AstraZeneca in February 2014 and any potential liability with respect to Onglyza\* is expected to be shared with AstraZeneca.

#### SHAREHOLDER DERIVATIVE LITIGATION

Since December 2015, three shareholder derivative lawsuits were filed in New York state court against certain officers and directors of the Company. The plaintiffs allege, among other things, breaches of fiduciary duty surrounding the Company's previously disclosed October 2015 civil settlement with the SEC of alleged FCPA violations in China in which the Company agreed to a payment of approximately \$14.7 million in disgorgement, penalties and interest. All three of the lawsuits were dismissed. The Company received a notice of appeal as to one of the dismissed lawsuits and in March 2019, the Appellate Division of the Supreme Court of New York affirmed the trial court's dismissal. This litigation is now concluded.

## SECURITIES LITIGATION

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

## OTHER LITIGATION

### Acquisition of Celgene Litigation

Following the announcement of the Company's planned acquisition of Celgene, thirteen complaints were filed by Celgene shareholders in the U.S. District Court for the District of Delaware, U.S. District Court for the District of New Jersey, the U.S. District Court for the Southern District of New York and the Court of Chancery of the State of Delaware seeking to enjoin the Company's planned acquisition of Celgene. The complaints in these actions name as defendants Celgene and the members of Celgene's Board of Directors. Five of these complaints also name the Company and Burgundy Merger Sub, Inc., a wholly-owned subsidiary of the Company that was formed solely for the purpose of completing the pending acquisition of Celgene and will be merged with and into Celgene upon the completion of the acquisition, as defendants. Of the complaints naming the Company as a defendant, four are styled as putative class actions. The plaintiffs allege violations of various federal securities laws and breaches of fiduciary duties in connection with the acquisition of Celgene by the Company. Two of these complaints were voluntarily dismissed in April 2019.

Separately, a fourteenth complaint styled as a putative class action was filed in the Court of Chancery of the State of Delaware on behalf of the Company's shareholders naming members of the Company's Board of Directors as defendants. This complaint alleges that each of the members of the Company's Board of Directors breached his or her fiduciary duties to the Company and its shareholders by failing to disclose material information about the pending acquisition. The lawsuit was voluntarily dismissed in April 2019.

The Company expects the remaining lawsuits to be dismissed shortly.

### Acquisition of Flexus Litigation

In February 2015, the Company acquired Flexus including rights to its IDO-1 inhibitor. In September 2015, Incyte Corporation ("Incyte") sued Flexus and Flexus's founders ("Flexus Defendants") in the Superior Court of the State of Delaware. In its initial and subsequent amended complaints, Incyte alleged claims against the Flexus Defendants, among others, for the misappropriation of various trade secrets relating to the research and development of Incyte's IDO-1 inhibitor. In November 2018, following a two and a-half week trial on trade secrets, a jury in the Superior Court of Delaware returned a defense verdict on behalf of the Flexus Defendants. Incyte may appeal the decision.

### Average Manufacturer Price Litigation

The Company is a defendant in a qui tam (whistleblower) lawsuit in the U.S. District Court for the Eastern District of Pennsylvania, in which the U.S. Government declined to intervene. The complaint alleges that the Company inaccurately reported its average manufacturer prices to the Centers for Medicare and Medicaid Services to lower what it owed. Similar claims have been filed against other companies.

## 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 \$65 million at March 31, 2019, 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. PLANNED CELGENE ACQUISITION

On January 3, 2019, the Company announced that it has entered into a definitive merger agreement under which it will acquire Celgene. Under the terms of the agreement, which has been approved by the Board of Directors of the Company and Celgene, if the merger is completed, Celgene shareholders will receive one share of the Company common stock and \$50.00 in cash for each share of Celgene common stock held by them. Celgene shareholders will also receive one tradeable contingent value right for each share of Celgene representing the right to receive \$9.00 in cash, which is subject to the achievement of future regulatory milestones. Based on the closing price of a share of the Company common stock on January 2, 2019, the most recent trading day prior to the date of the announcement, the merger consideration represented approximately \$74 billion. The amount of consideration to be received by Celgene shareholders will fluctuate with changes in the price of the shares of the Company common stock.

On April 17, 2019, the Company commenced an exchange offer for any and all outstanding notes issued by Celgene for up to \$19.85 billion aggregate principal amount of new notes to be issued by the Company and cash, which is conditioned upon the closing of the pending acquisition of Celgene. The Company expects to fund the approximately \$36 billion that the Company anticipates will be required to pay the aggregate cash portion of the merger consideration to Celgene shareholders through a combination of cash on hand and, subject to market conditions, short-term borrowings and long-term debt. The Company expects to enter into an accelerated share repurchase program of approximately \$5.0 billion, which is subject to Board of Directors’ approval. The ultimate amount of shares to be repurchased may change based on company and market factors. See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Position, Liquidity and Capital Resources" for a discussion of the Company's financing arrangements in connection with the planned acquisition.

The acquisition was approved by the Company’s and Celgene’s shareholders on April 12, 2019, but the consummation of the planned acquisition remains subject to the satisfaction of customary closing conditions and regulatory approvals, including the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “HSR Act”), and approvals under the antitrust laws of other jurisdictions. With respect to the review of the planned acquisition pursuant to the HSR Act, the Company and Celgene on March 25, 2019 each received a request for additional information and documentary materials (also known as a "second request") from the U.S. Federal Trade Commission in connection with its review. The Company expects the planned acquisition will close in the third quarter of 2019.

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

Management's discussion and analysis of results of operations and financial condition is provided as a supplement to and should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q to enhance the understanding of our results of operations, financial condition and cash flows.

### EXECUTIVE SUMMARY

Bristol-Myers Squibb Company is a global specialty biopharmaceutical company whose mission is to discover, develop and deliver innovative medicines that help patients prevail over serious diseases. Our strategy is to combine the resources, scale and capability of a pharmaceutical company with the speed and focus on innovation of the biotech industry. Our focus as a specialty biopharmaceutical company is on discovering, developing and delivering transformational medicines for patients facing serious diseases. Our four strategic priorities are to drive business performance, continue to further 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. Refer to the Summary of Abbreviated Terms at the end of this Quarterly Report on Form 10-Q for terms used throughout the document.

On January 3, 2019, we announced that we have entered into a definitive merger agreement to acquire Celgene, which will require approximately \$74 billion in consideration, based on the closing price of a share of our common stock on January 2, 2019. The acquisition was approved by the Company's and Celgene's shareholders on April 12, 2019. We expect that the planned acquisition will enable us to create a leading focused specialty biopharmaceutical company that is well positioned to address the needs of patients with cancer, inflammatory, immunologic or cardiovascular diseases through high-value innovation medicines and leading scientific capabilities. The transaction remains subject to the satisfaction of customary closing conditions and regulatory approvals, but is expected to close in the third quarter of 2019. Refer to "Item 1. Financial Statements—Note 4. Divestitures and Other Arrangements" and "—Note 19. Planned Celgene Acquisition" for further discussion on our pending acquisition of Celgene. Refer to "—Financial Position, Liquidity and Capital Resources" for a discussion of our financing arrangements in connection with the planned acquisition.

Our revenues increased by 14% for the three months ended March 31, 2019 as a result of higher demand for Eliquis and Opdivo. The \$0.13 increase in GAAP EPS primarily resulted from higher revenues partially offset by higher R&D costs and lower other income. After adjusting for specified items, non-GAAP EPS increased \$0.16. Cost savings resulting from our transformation initiatives continue to be redeployed in R&D and other areas of higher priorities.

|  | Three Months<br>Ended March<br>31, |         |
|--|------------------------------------|---------|
| Dollars in Millions, except per share data | 2019                               | 2018    |
| Total Revenues                             | \$5,920                            | \$5,193 |
| Diluted Earnings Per Share                 |                                    |         |
| GAAP                                       | \$1.04                             | \$0.91  |
| Non-GAAP                                   | 1.10                               | 0.94    |

Our non-GAAP financial measures, including non-GAAP earnings and related EPS information, are adjusted to exclude specified items which represent certain costs, expenses, gains and losses and other items impacting the

comparability of financial results. For a detailed listing of all specified items and further information and reconciliations of non-GAAP financial measures refer to “—Non-GAAP Financial Measures.”

### Significant Product and Pipeline Approvals

#### Product Date Approval

|               |               |   |
|---------------|---------------|---|
| Opdivo+Yervoy | January 2019  | Announced the EC approval of Opdivo plus low-dose Yervoy for previously untreated patients with intermediate and poor-risk advanced RCC.  |
| Sprycel       | February 2019 | Announced the EC approval of Sprycel, in both tablet and powder for oral suspension formulations, in combination with chemotherapy for the treatment of pediatric patients with newly diagnosed Philadelphia chromosome-positive ALL. |

Refer to “—Product and Pipeline Developments” for all of the developments in our marketed products and late-stage pipeline in 2019.



## Acquisitions, Divestitures, Licensing and Collaboration Arrangements

Acquisitions, divestitures, licensing and collaboration 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. Refer to “Item 1. Financial Statements—Note 3. Alliances,” “—Note 4. Divestitures and Other Arrangements” and “—Note 19. Planned Celgene Acquisition” for further discussion on our pending acquisition of Celgene. Refer to “—Financial Position, Liquidity and Capital Resources” for a discussion of our financing arrangements in connection with the planned acquisition.

## RESULTS OF OPERATIONS

## Regional Revenues

| Dollars in Millions  | Three Months Ended March 31, |                | 2019 vs. 2018 |                                 |
|----------------------|------------------------------|----------------|---------------|---------------------------------|
|                      | Total Revenues               | Total Revenues | % Change      | Foreign Exchange <sup>(b)</sup> |
| United States        | \$3,449                      | \$2,778        | 24 %          | —                               |
| Europe               | 1,480                        | 1,406          | 5 %           | (9)%                            |
| Rest of the World    | 874                          | 873            | —             | (8)%                            |
| Other <sup>(a)</sup> | 117                          | 136            | (14)%         | N/A                             |
| Total                | \$5,920                      | \$5,193        | 14 %          | (4)%                            |

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

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

U.S. revenues increased due to higher demand for Eliquis, Opdivo and Yervoy. Average U.S. net selling prices were approximately 2% higher after discounts, charge-backs and rebates in the three months ended March 31, 2019 and are expected to be roughly flat on a full year basis.

Europe revenues increased due to higher demand for Opdivo and Eliquis, partially offset by unfavorable foreign exchange and lower average net selling prices.

Rest of the World revenues remained unchanged as higher demand for Opdivo, Eliquis and Yervoy was offset by unfavorable foreign exchange and lower demand for established brands.

No single country outside the U.S. contributed more than 10% of total revenues during the three months ended March 31, 2019 or 2018. Our business is typically not seasonal.

## GTN Adjustments

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

| Dollars in Millions                               | Three Months Ended March 31, |          |          |
|---|------------------------------|----------|----------|
|   | 2019                         | 2018     | % Change |
| Gross product sales                               | \$7,994                      | \$6,701  | 19 %     |
| GTN adjustments                                   |                              |          |          |
| Charge-backs and cash discounts                   | (774 )                       | (583 )   | 33 %     |
| Medicaid and Medicare rebates                     | (800 )                       | (557 )   | 44 %     |
| Other rebates, returns, discounts and adjustments | (707 )                       | (589 )   | 20 %     |
| Total GTN adjustments                             | (2,281 )                     | (1,729 ) | 32 %     |
| Net product sales                                 | \$5,713                      | \$4,972  | 15 %     |
| GTN adjustments percentage                        | 28                           | % 26     | % 2 %    |
| U.S.  | 36                           | % 34     | % 2 %    |
| Non-U.S.  | 13                           | % 13     | % — %    |

Reductions to provisions for product sales made in prior periods resulting from changes in estimates were \$78 million and \$50 million in the three months ended March 31, 2019 and 2018, respectively. GTN adjustments are primarily a function of product sales volume, regional and payer channel mix, contractual or legislative discounts and rebates. GTN adjustments are increasing at a higher rate than gross product sales due to higher U.S. Eliquis gross product sales, which has a relatively high GTN adjustment percentage as a result of competitive pressures to maintain its position on healthcare payer formularies allowing patients continued access through their medical plans.

## Product Revenues

|                           | Three Months Ended<br>March 31, |              |             |          |
|---------------------------|---------------------------------|--------------|-------------|----------|
| Dollars in Millions       | 2019                            | 2018         | %<br>Change |          |
| <b>Prioritized Brands</b> |                                 |              |             |          |
| Opdivo                    | \$1,801                         | \$1,511      | 19          | %        |
| U.S.                      | 1,124                           | 938          | 20          | %        |
| Non-U.S.                  | 677                             | 573          | 18          | %        |
| Eliquis                   | 1,925                           | 1,506        | 28          | %        |
| U.S.                      | 1,206                           | 885          | 36          | %        |
| Non-U.S.                  | 719                             | 621          | 16          | %        |
| Orencia                   | 640                             | 593          | 8           | %        |
| U.S.                      | 449                             | 385          | 17          | %        |
| Non-U.S.                  | 191                             | 208          | (8)         | %        |
| Sprycel                   | 459                             | 438          | 5           | %        |
| U.S.                      | 240                             | 214          | 12          | %        |
| Non-U.S.                  | 219                             | 224          | (2)         | %        |
| Yervoy                    | 384                             | 249          | 54          | %        |
| U.S.                      | 275                             | 162          | 70          | %        |
| Non-U.S.                  | 109                             | 87           | 25          | %        |
| Empliciti                 | 83                              | 55           | 51          | %        |
| U.S.                      | 58                              | 37           | 57          | %        |
| Non-U.S.                  | 25                              | 18           | 39          | %        |
| <b>Established Brands</b> |                                 |              |             |          |
| Baraclude                 | 141                             | 225          | (37)        | %        |
| U.S.                      | 7                               | 10           | (30)        | %        |
| Non-U.S.                  | 134                             | 215          | (38)        | %        |
| Other Brands              | 487                             | 616          | (21)        | %        |
| U.S.                      | 90                              | 147          | (39)        | %        |
| Non-U.S.                  | 397                             | 469          | (15)        | %        |
| <b>Total Revenues</b>     | <b>5,920</b>                    | <b>5,193</b> | <b>14</b>   | <b>%</b> |
| U.S.                      | 3,449                           | 2,778        | 24          | %        |
| Non-U.S.                  | 2,471                           | 2,415        | 2           | %        |

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

U.S. revenues increased due to higher demand resulting from the second quarter 2018 approval of the Opdivo+Yervoy combination for kidney cancer and increased use in adjuvant melanoma, partially offset by a decline in previously-treated advanced lung cancer.

International revenues increased due to higher demand as a result of approvals for additional indications and launches in new countries. Excluding foreign exchange impacts, revenues increased by 29% in the first quarter.

Eliquis (apixaban) — an oral Factor Xa inhibitor, targeted at stroke prevention in adult patients with NVAF and the prevention and treatment of VTE disorders.

U.S. revenues increased due to market share gains within the oral anticoagulants market.

International revenues increased due to higher demand attributed to both oral anticoagulant market growth and market share gains. Excluding foreign exchange impacts, revenues increased by 23% in the first quarter.

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 JIA.

U.S. revenues increased due to demand and higher average net selling prices.

International revenues decreased due to foreign exchange.

Sprycel (dasatinib) — an oral inhibitor of multiple tyrosine kinase indicated for the first-line treatment of patients with Philadelphia chromosome-positive CML 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 mesylate).

U.S. revenues increased due to higher average net selling prices and demand.

International revenues decreased due to foreign exchange. Excluding foreign exchange impacts, revenues increased by 4% in the first quarter.

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

U.S. revenues increased due to higher demand resulting from the second quarter 2018 approval of the Opdivo+Yervoy combination for kidney cancer.

International revenues increased due to higher demand resulting from approval of the Opdivo+Yervoy combination for melanoma in Japan. Excluding foreign exchange impacts, revenues increased by 36% in the first quarter.

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

U.S. revenues increased due to the fourth quarter 2018 approval of Empliciti in combination with pomalidomide and dexamethasone for relapsed or refractory multiple myeloma.

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

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

Other Brands — includes Sustiva, Reyataz, Daklinza and all other products that lost exclusivity in major markets, OTC brands and royalty revenue.

International revenues decreased primarily due to divestiture of certain other brands and continued generic erosion.

### Estimated End-User Demand

Pursuant to the SEC Consent Order described in our 2018 Form 10-K, we monitor inventory levels on hand in the U.S. wholesaler distribution channel and outside of the U.S. in the direct customer distribution channel. We are obligated to disclose products with levels of inventory in excess of one month on hand or expected demand, subject to a de minimis exception. Estimated levels of inventory in the distribution channel in excess of one month on hand for the following products were not material to our results of operations as of the dates indicated. Below are international products that had estimated levels of inventory in the distribution channel in excess of one month at December 31, 2018.

Dafalgan, an analgesic product sold principally in Europe, had 1.1 months of inventory on hand internationally at direct customers compared to 1.2 months of inventory on hand at September 30, 2018. The level of inventory on hand was primarily due to the ordering patterns of pharmacists in France.

Efferalgan, an analgesic product sold principally in Europe, had 1.4 months of inventory on hand internationally at direct customers compared to also 1.7 months of inventory on hand at September 30, 2018. The level of inventory on hand was primarily due to the ordering patterns of pharmacists in France.

Fervex, a cold and flu product, had 2.5 months of inventory on hand at direct customers compared to 2.1 months of inventory on hand at September 30, 2018. The level of inventory on hand was primarily due to the ordering patterns of pharmacists in France.

Daklinza, a Hepatitis C product, had 1.6 months of inventory on hand internationally at direct customers compared to 1.2 months of inventory on hand at September 30, 2018. The level of inventory on hand was attributable to a patent infringement in Saudi Arabia.

Perfalgan, an analgesic product, had 1.6 months of inventory on hand internationally at direct customers compared to 1.3 months of inventory on hand at September 30, 2018. The level of inventory on hand was primarily in the Gulf Countries due to extended delivery lead time.

Sustiva, an HIV product, had 2.1 months of inventory on hand internationally at direct customers compared to 1.1 months of inventory on hand at September 30, 2018. The level of inventory on hand was attributable to low volume in-market sales in Canada

In the U.S., we generally determine our months on hand estimates using inventory levels of product on hand and the amount of out-movement provided by our three largest wholesalers, which account for approximately 97% 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 quarter ended March 31, 2019 is not available prior to the filing of this Quarterly Report on Form 10-Q. We will disclose any product with inventory levels in excess of one month on hand or expected demand for the current quarter, subject to a de minimis exception, in the next quarterly report on Form 10-Q.

## Expenses

| Dollars in Millions                   | Three Months Ended March 31, |         |          |
|---------------------------------------|------------------------------|---------|----------|
|                                       | 2019                         | 2018    | % Change |
| Cost of products sold                 | \$1,844                      | \$1,584 | 16 %     |
| Marketing, selling and administrative | 1,006                        | 980     | 3 %      |
| Research and development              | 1,351                        | 1,250   | 8 %      |
| Other income (net)                    | (260 )                       | (400 )  | (35 )%   |
| Total Expenses                        | \$3,941                      | \$3,414 | 15 %     |

Cost of products sold increased due to higher royalties and profit sharing of \$231 million resulting primarily from higher Eliquis sales and to a lesser extent higher Puerto Rico excise tax, partially offset by hedging gains.

Marketing, selling and administrative expenses increased due to timing of certain expenses and higher branded prescription drug fee, partially offset by foreign currency impact.

Research and development expense increased due to continued expansion of IO and other immunoscience development programs.

Significant charges included in Research and development were as follows:

| Dollars in Millions                          | Three Months Ended March 31, |                      |
|--|------------------------------|----------------------|
|  | 2019                         | 2018                 |
| Cormorant                                    | \$—                          | \$ 60 <sup>(a)</sup> |
| License and asset acquisition charges        | —                            | 60                   |
| IPRD impairments                             | 32                           | —                    |
| Site exit costs                              | 19                           | 20                   |
| Research and development significant charges | \$51                         | \$ 80                |

(a) Milestone payment

- IPRD impairment charge resulted from the decision to discontinue development of an investigational compound obtained in the acquisition of Medarex.



Other income (net) decreased due to Celgene acquisition and integration expenses, lower pension income, royalties and licensing income and divestiture gains, partially offset by higher equity investment gains and lower intangible asset impairments.

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

|                                      | Three Months<br>Ended March<br>31, |         |
|--------------------------------------|------------------------------------|---------|
| Dollars in Millions                  | 2019                               | 2018    |
| Interest expense                     | \$45                               | \$46    |
| Investment income                    | (56 )                              | (36 )   |
| Equity investment gains              | (175 )                             | (15 )   |
| Provision for restructuring          | 12                                 | 20      |
| Acquisition and integration expenses | 187                                | —       |
| Litigation and other settlements     | 1                                  | —       |
| Equity in net income of affiliates   | —                                  | (24 )   |
| Divestiture gains                    | —                                  | (45 )   |
| Royalties and licensing income       | (308 )                             | (367 )  |
| Transition and other service fees    | (2 )                               | (4 )    |
| Pension and postretirement           | 44                                 | (11 )   |
| Intangible asset impairment          | —                                  | 64      |
| Other                                | (8 )                               | (28 )   |
| Other income (net)                   | \$(260)                            | \$(400) |

Equity investment gains includes a fair value adjustment of \$74 million related to the Company's equity investment in uniQure N.V. and \$80 million related to the termination of our Europe and Asia partnership with Sanofi in 2019.

Acquisition and integration expenses include the following items related to the pending Celgene acquisition: (1) upfront bridge facility commitment fee amortization of \$67 million, (2) fair value adjustment of \$35 million related to the forward starting interest rate swap option contracts to hedge interest rate risk on the anticipated debt issuance to partially fund the acquisition, (3) financial advisory, legal, proxy filing and other regulatory fees of \$63 million and (4) consulting fees of \$22 million incurred in connection with pre-integration planning activities.

Equity in net income of affiliates was related to our Europe and Asia partnership with Sanofi, which was terminated in 2019.

Divestiture gains includes the divestiture of multiple mature global product lines in 2018.

Royalties and licensing income includes higher Keytruda\* royalties in 2019, a \$50 million fee for amending a royalty rate and contingent consideration received from the Erbitux\* divestiture in 2018.

Pension and postretirement includes the interest cost, expected return on plan assets and amortization components of the net periodic benefit cost (credit) as well as net charges for settlements, curtailments and special termination benefits of \$49 million in 2019 and \$31 million in 2018.

Intangible asset impairment includes \$64 million in 2018 for an out-licensed asset obtained in the acquisition of ZymoGenetics, Inc., which did not meet its primary endpoint in a Phase II clinical study.

#### Income Taxes

|                              | Three Months Ended<br>March 31, |         |
|------------------------------|---------------------------------|---------|
| Dollars in Millions          | 2019                            | 2018    |
| Earnings Before Income Taxes | \$1,979                         | \$1,779 |
| Provision for Income Taxes   | 264                             | 284     |
| Effective Tax Rate           | 13.3 %                          | 16.0 %  |

Impact of Specified Items (1.2 )% (1.2 )%

The reduction in the effective tax rate was primarily due to the recognition of prior period tax credits in 2019. Refer to “Item 1. Financial Statements—Note 7. Income Taxes” for additional information on the tax impact of specified items.

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## Non-GAAP Financial Measures

Our non-GAAP financial measures, such as 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 (1) acquisition and integration expenses, (2) restructuring costs, (3) accelerated depreciation and impairment of property, plant and equipment and intangible assets, (4) R&D charges or other income resulting from up-front or contingent milestone payments in connection with the acquisition or licensing of third-party intellectual property rights, (5) divestiture gains or losses, (6) pension, legal and other contractual settlement charges and (7) 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. We also provide international revenues for our priority products excluding the impact of foreign exchange. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are included in Exhibit 99.2 to our Form 8-K filed on April 25, 2019 and are incorporated herein by reference.

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

Specified items were as follows:

| Dollars in Millions                               | Three<br>Months<br>Ended<br>March 31, |      |
|---|---------------------------------------|------|
|   | 2019                                  | 2018 |
| Impairment charges                                | \$—                                   | \$10 |
| Accelerated depreciation and other shutdown costs | 12                                    | 3    |
| Cost of products sold                             | 12                                    | 13   |
| Marketing, selling and administrative             | 1                                     | 1    |
| License and asset acquisition charges             | —                                     | 60   |
| IPRD impairments                                  | 32                                    | —    |
| Site exit costs and other                         | 19                                    | 20   |
| Research and development                          | 51                                    | 80   |
| Equity investment gains                           | (175)                                 | (15) |
| Provision for restructuring                       | 12                                    | 20   |
| Acquisition and integration expenses              | 187                                   | —    |
| Divestiture gains                                 | —                                     | (43) |
| Royalties and licensing income                    | —                                     | (50) |

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|  |       |       |
|--|-------|-------|
| Pension and postretirement                 | 49    | 31    |
| Intangible asset impairment                | —     | 64    |
| Other income (net)                         | 73    | 7     |
| Increase to pretax income                  | 137   | 101   |
| Income taxes on items above                | (43 ) | (8 )  |
| Income taxes attributed to U.S. tax reform | —     | (32 ) |
| Income taxes                               | (43 ) | (40 ) |
| Increase to net earnings                   | \$94  | \$61  |

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

| Dollars in Millions, except per share data                                   | Three Months Ended March 31, |         |
|--|------------------------------|---------|
|  | 2019                         | 2018    |
| Net Earnings Attributable to BMS used for Diluted EPS Calculation – GAAP     | \$1,710                      | \$1,486 |
| Specified Items  | 94                           | 61      |
| Net Earnings Attributable to BMS used for Diluted EPS Calculation – Non-GAAP | \$1,804                      | \$1,547 |
| <br>   |                              |         |
| Average Common Shares Outstanding – Diluted                                  | 1,637                        | 1,640   |
| <br>   |                              |         |
| Diluted EPS Attributable to BMS – GAAP                                       | \$1.04                       | \$0.91  |
| Diluted EPS Attributable to Specified Items                                  | 0.06                         | 0.03    |
| Diluted EPS Attributable to BMS – Non-GAAP                                   | \$1.10                       | \$0.94  |

## FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Our net cash position was as follows:

| Dollars in Millions                                    | March 31, December 31, |          |
|--|------------------------|----------|
|  | 2019                   | 2018     |
| Cash and cash equivalents                              | \$ 7,335               | \$ 6,911 |
| Marketable securities – current                        | 1,429                  | 1,973    |
| Marketable securities – non-current                    | 1,233                  | 1,775    |
| Total cash, cash equivalents and marketable securities | 9,997                  | 10,659   |
| Short-term debt obligations                            | (381 )                 | (1,703 ) |
| Long-term debt   | (5,635 )               | (5,646 ) |
| Net cash position                                      | \$ 3,981               | \$ 3,310 |

Cash, cash equivalents and marketable securities held in the U.S. were approximately \$8.3 billion at March 31, 2019. Most of the remaining \$1.7 billion is held primarily in our international affiliates for local operating needs. We are subject to a one-time deemed repatriation transition tax in which \$2.1 billion will be payable over the next eight years as a result of U.S. tax reform. 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., as well as borrowing available under our credit facilities, will be sufficient to satisfy our anticipated operating cash needs for at least the next few years, including dividends, capital expenditures, milestone payments, working capital and deemed repatriation transition tax.

Management continuously evaluates our capital structure to ensure that we are 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.

Dividend payments were \$669 million and \$653 million in the three months ended March 31, 2019 and 2018, respectively. Dividends declared per common share were \$0.41 and \$0.40 in the three months ended March 31, 2019 and 2018, respectively. Dividend decisions are made on a quarterly basis by our Board of Directors. The merger agreement prohibits us from declaring, setting aside or paying any dividend or other distribution other than our regular cash dividend in the ordinary course of business consistent with past practice in an amount not to exceed \$0.41 per share per quarter. Annual capital expenditures were approximately \$1.0 billion in 2018 and are expected to be approximately \$800 million in 2019 and \$600 million in 2020. 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 approved for commercial use in early 2020.

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 “Item 1. Financial Statements—Note 9. Financial Instruments and Fair Value Measurements” for further information.

Under our commercial paper program, we may issue a maximum of \$5 billion unsecured notes that have maturities of not more than 366 days from the date of issuance. There were no commercial paper borrowings outstanding as of March 31, 2019.

As of March 31, 2019, we had four revolving credit facilities totaling \$6.0 billion, which consisted of a 364-day \$2.0 billion facility expiring in January 2020, two five-year \$1.5 billion facilities that were extended to September 2022 and July 2023, respectively, and a \$1.0 billion facility expiring in January 2022. All of these facilities provide for customary terms and conditions with no financial covenants and may be used to provide backup liquidity for our commercial paper borrowings. Our \$1.0 billion facility and our two \$1.5 billion revolving facilities are extendable annually by one year on the anniversary date with the consent of the lenders. No borrowings were outstanding under any revolving credit facility at March 31, 2019 or December 31, 2018.

In connection with our pending acquisition of Celgene, in January 2019 we entered into a bridge commitment letter that provides for up to \$33.5 billion in a 364-day senior unsecured bridge facility. We also entered into an \$8.0 billion term loan credit agreement consisting of a \$1.0 billion 364-day tranche, a \$4.0 billion three-year tranche and a \$3.0 billion five-year tranche. The term loan reduced the commitments under the bridge facility to \$25.5 billion. If we obtain additional funding by issuing securities or obtaining other loans, the amount of the bridge facility will be correspondingly reduced. The bridge facility and the term loan are subject to customary terms and conditions and do not have any financial covenants. No amounts will be borrowed under either the bridge facility or the term loan prior to the closing of the pending acquisition of Celgene. If drawn upon, the proceeds of the under the bridge facility and the term loan will be used solely to fund a portion of the cash to be paid in the pending acquisition of Celgene, the anticipated refinancing of debt of Celgene and the payment of related fees and expenses.

Also in connection with the pending acquisition of Celgene, on April 17, 2019, we commenced an exchange offer for any and all outstanding notes issued by Celgene for up to \$19.85 billion aggregate principal amount of new notes to be issued by us and cash, which is conditioned upon the closing of the acquisition. The expiration of the offer will be extended until the acquisition closes. In conjunction with the offer to exchange the Celgene notes, we concurrently solicited consents to adopt certain proposed amendments to each of the indentures governing the Celgene notes to eliminate substantially all of the restrictive covenants in such indentures.

We expect to fund the approximately \$36 billion that we anticipate will be required to pay the aggregate cash portion of the merger consideration to Celgene shareholders through a combination of cash on hand and, subject to market conditions, short-term borrowings and long-term debt. We also expect to enter into an accelerated share repurchase program of approximately \$5.0 billion, which is subject to Board of Directors' approval. The ultimate amount of shares to be repurchased may change based on company and market factors.

Following the announcement of our pending acquisition of Celgene, we entered into forward starting interest rate swap option contracts, with a total notional value of \$7.6 billion, to hedge future interest rate risk associated with the anticipated issuance of long-term debt to fund the acquisition. In April 2019, we entered into deal contingent forward starting interest rate swap contracts, with an aggregate notional principal amount of \$10.4 billion, to hedge future interest rate risk associated with the anticipated issuance of long-term debt to fund the planned Celgene acquisition. The option contracts that we entered into following the announcement of the planned acquisition of Celgene were terminated contemporaneously with our entry into the deal contingent contracts.

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.

The UK voted to depart from the EU during June 2016. Similar to other companies in our industry, certain regulatory, trade, labor and other aspects of our business will likely be affected over time. However, we currently do not believe

that these matters and other related financial effects will have a material impact on our consolidated results of operations, financial position or liquidity. Our sales in the UK represent less than 3% of our consolidated revenues.

#### Credit Ratings

BMS's current long-term and short-term credit ratings assigned by Moody's Investors Service are A2 and Prime-1, respectively, and BMS's current long-term and short-term credit ratings assigned by Standard & Poor's are A+ and A-1+, respectively. The 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. The short-term ratings reflect the agencies' opinion that we have good to extremely strong capacity for timely repayment. The current long-term ratings do not reflect any impact from the planned acquisition of Celgene. In January 2019, Moody's placed BMS under review for downgrade and Standard & Poor's placed BMS on CreditWatch with negative implications, each following the announcement to acquire Celgene. While we expect that additional debt issued in connection with the pending Celgene acquisition will result in a downgrade to our credit ratings, we expect those credit ratings to remain at an investment grade level and we do not expect this change to impact our ability to access short-term or long-term financing. However, we cannot guarantee the future actions of Moody's and/or Standard & Poor's. 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              | Three Months<br>Ended March 31, |          |
|----------------------------------|---------------------------------|----------|
|                                  | 2019                            | 2018     |
| Cash flow provided by/(used in): |                                 |          |
| Operating activities             | \$1,390                         | \$1,175  |
| Investing activities             | 1,060                           | (43 )    |
| Financing activities             | (2,029 )                        | (1,222 ) |

## Operating Activities

Cash flow from operating activities represents the cash receipts and disbursements from all of our activities other than investing and financing activities. Operating cash flow is derived by adjusting net earnings for noncontrolling interest, non-cash operating items, gains and losses attributed to investing and financing activities and changes in operating assets and liabilities resulting from timing differences between the receipts and payments of cash and when the transactions are recognized in our results of operations. As a result, changes in cash from operating activities reflect the timing of cash collections from customers and alliance partners; payments to suppliers, alliance partners and employees; customer discounts and rebates; and tax payments in the ordinary course of business. For example, annual employee bonuses are typically paid in the first quarter of the subsequent year. In addition, cash collections continue to be impacted by longer payment terms for certain biologic products in the U.S., primarily our newer oncology products including Opdivo, Yervoy and Empliciti (90 days). 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 \$200 million change in cash flow from operating activities compared to 2018 was primarily attributable to higher cash collections and timing of payments in the ordinary course of business of approximately \$400 million, partially offset by approximately \$200 million of Celgene acquisition and integration related payments in 2019.

## Investing Activities

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

The \$1.1 billion change in cash flow from investing activities compared to 2018 was primarily attributable to:

- Higher net sales and maturities of marketable securities with maturities greater than 90 days of approximately \$1.0 billion; and

- Lower net acquisition and other payments of approximately \$300 million primarily due to the Flexus contingent consideration payment in 2018.

Partially offset by:

- Lower business divestiture proceeds of approximately \$200 million primarily due to the divestiture of manufacturing operations in Swords, Ireland and certain mature brands in 2018.

## 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 \$800 million change in cash flow from financing activities compared to 2018 was primarily attributable to higher debt repayments of approximately \$1.0 billion due to the maturity of notes in 2019, partially offset by approximately \$200 million relating to repurchase of common stock in 2018.

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## 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 35-45% 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

|               |               |  |
|---------------|---------------|--|
|               |               | Ono, our alliance partner for Opdivo in Japan, announced the submission of a supplemental application of Opdivo in Japan for additional indication of MSI-H unresectable advanced or recurrent CRC that has progressed following chemotherapy for a partial change in the approved items of the manufacturing and marketing approval. This is mainly based on the result from Phase II CheckMate-142 study evaluating Opdivo in patients with MSI-H or dMMR recurrent or metastatic CRC that has progressed on or after, or been intolerant of, at least one previous line of treatment with chemotherapy including fluoropyrimidine anticancer drugs.   |
| CRC           | March 2019    |  |
| Opdivo        |               | Announced results from pooled analyses of survival data from four studies (CheckMate-017, -057, -063 and -003) in patients with previously-treated advanced NSCLC who were treated with Opdivo. In the pooled analysis of the four studies, 14% of all Opdivo-treated patients were alive at four years. Notably, in patients with PD-L1 greater than or equal to 1% and less than 1%, four-year overall survival rate were 19% and 11%, respectively.   |
| NSCLC         | April 2019    |  |
| Opdivo        |               | Acceptance in China of sBLA filing for patients who had previously been treated for metastatic or recurrent SCCHN.   |
| SCCHN         | January 2019  |  |
|               |               | Announced results from an interim analysis of the Phase II CheckMate-650 trial evaluating Opdivo+Yervoy in patients with mCRPC showed that among 32 asymptomatic or minimally symptomatic patients whose disease had progressed after second-generation hormone therapy and who had not received chemotherapy (cohort 1), with a median follow-up of 11.9 months, the objective response rate was 25%. Additionally, among 30 patients whose disease progressed after taxane-based chemotherapy (cohort 2), with a median follow-up of 13.5 months, the objective response rate was 10%.   |
| mCRPC         | February 2019 |  |
| Opdivo+Yervoy |               | Received FDA full approval for Opdivo in combination with Yervoy for the treatment of patients with unresectable or metastatic melanoma based on additional longer term efficacy data from CheckMate-067 (4-year overall survival) without restrictions in patient population. This approval fulfills two Post Marketing Requirements to verify and describe clinical benefit, thereby converting prior accelerated approval to full approval for nivolumab in combination with ipilimumab for patients with unresectable or metastatic melanoma and nivolumab monotherapy for BRAF Mutant subjects with unresectable or metastatic melanoma. Importantly, based on FDA review of the CheckMate-067 4-year overall survival data, the results of |
| Melanoma      | March 2019    |  |

|                  |               |  |
|------------------|---------------|--|
|                  |               | exploratory analyses by PD-L1 tumor expression have been removed entirely from the label.  |
|                  |               | Announced voluntary withdrawal of the Company's sBLA for the Opdivo plus low-dose Yervoy for treatment of first-line advanced NSCLC in patients with TMB greater than or equal to 10 mutations per megabase as data from CheckMate-227, Part 1a. After discussions with FDA, the Company believes further evidence on the relationship between TMB and PD-L1 is required to fully evaluate the impact of Opdivo plus Yervoy on overall survival in first-line NSCLC patients. This analysis will require availability of the final data from CheckMate-227, Part 1a, which the Company anticipates will be available in summer 2019. The data from Part 1a could not be provided on time within the review cycle of the current application. |
| NSCLC            | January 2019  |  |
|                  |               | Announced new results from the Phase III CheckMate-214 study, showing that therapy with Opdivo plus low-dose Yervoy continued to demonstrate long-term survival benefits in patients with previously untreated advanced or metastatic RCC.   |
| RCC              | February 2019 |  |
|                  |               | Announced the EC approval of Opdivo plus low-dose Yervoy for previously untreated patients with intermediate and poor-risk advanced RCC.   |
|                  | January 2019  |  |
| SCCHN            | April 2019    | Announced topline results from the Phase II CheckMate-714 trial evaluating Opdivo versus Opdivo+Yervoy in patients with recurrent or metastatic SCCHN. The study did not meet its primary endpoints.   |
| Eliquis NVAF/ACS | March 2019    | Announced results from the Phase IV AUGUSTUS trial evaluating Eliquis versus vitamin K antagonists (VKAs) in patients with NVAF and ACS and/or undergoing PCI. Results show that in patients receiving a P2Y12 inhibitor with or without aspirin (antiplatelet therapies), the proportion of patients with major or clinically relevant non-major (CRNM) bleeding at six months was significantly lower for those treated with Eliquis compared to those treated with a VKA.   |

Product Indication Date Developments

|           |                  |   |
|-----------|------------------|---|
|           |                  | Received the EC notification on the adoption of the approval on our Orencia solution for subcutaneous injection in pre-filled syringe extension application (50 mg & 87.5 mg strength) and extension of indication for the treatment of polyarticular JIA in pediatric patients two years of age and older.   |
| JIA       | April 2019       |   |
| Orencia   |                  | Announced the submission of supplemental applications of “Orencia for Intravenous Infusion 250mg,” “Orencia 125mg Syringe for Subcutaneous Injection 1mL” and “Orencia 125mg Autoinjector for Subcutaneous Injection 1mL” to include the description of “inhibition of the structural damage of the joints” in the currently approved indication of RA for a partial change in approved items of the manufacturing and marketing approval in Japan.   |
| RA        | March 2019       |   |
| Sprycel   |                  | Announced the EC approval of Sprycel, in both tablet and powder for oral suspension formulations, in combination with chemotherapy for the treatment of pediatric patients with newly diagnosed Philadelphia chromosome-positive ALL.   |
| ALL       | February 2019    |   |
| Empliciti | Multiple Myeloma | February 2019   |
|           |                  | Completed filing of a supplemental Japanese New Drug Application (sJNDA) for Empliciti in combination with Pomalidomide and Dexamethasone for the treatment of patients with multiple myeloma who have received at least two prior therapies, including Revlimid* and proteasome inhibitor. The sJNDA filing was submitted based on the result of Global Phase II study. The orphan designation was already granted for the indication of RRMM at the initial JNDA. This sJNDA will also be reviewed under “priority review.” |

Critical Accounting Policies

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses. Our critical accounting policies are those that significantly impact our financial condition and results of operations and require the most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Because of this uncertainty, actual results may vary from these estimates. For a discussion of our critical accounting policies, refer to “—Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2018 Form 10-K. There have been no material changes to our critical accounting policies during the three months ended March 31, 2019. For information regarding the impact of recently adopted accounting standards, refer to “—Note.1 Basis of Presentation and Recently Issued Accounting Standards.”

Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (including documents incorporated by reference) and other written and oral statements we make from time to time contain certain “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. You can identify these forward-looking statements by the fact they use words such as “should,” “could,” “expect,” “anticipate,” “estimate,” “target,” “project,” “guidance,” “intend,” “plan,” “believe,” “will” 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 historical performance and current expectations and projections about our future financial results, goals, plans and objectives and involve inherent risks, assumptions and uncertainties, including internal or external factors that could delay, divert or change any of them in the next several years, and could cause our future financial results, goals, plans and objectives to differ materially from those expressed in, or implied by, the statements. These statements are likely to relate to, among other things, our goals, plans and objectives 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, our pending acquisition of Celgene and the outcome of

contingencies such as legal proceedings and financial results. No forward-looking statement can be guaranteed. We have included important factors in the cautionary statements included in this Quarterly Report on Form 10-Q and in the 2018 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. Additional risks that we may currently deem immaterial or that are not presently known to us could also cause the forward-looking events discussed in this Quarterly Report on Form 10-Q not to occur. Except as otherwise required by federal securities law, we undertake no obligation to release publicly any updates or revisions to any forward-looking statements as a result of new information, future events, changed circumstances or otherwise after the date of this Quarterly Report on Form 10-Q.

### Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a discussion of our market risk, refer to “Item 7A. Quantitative and Qualitative Disclosures About Market Risk” in our 2018 Form 10-K.

### Item 4. CONTROLS AND PROCEDURES

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 defined in Exchange Act Rules 13a-15(e) and 15d-15(e), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our principal executive officer and principal financial officer concluded that as of March 31, 2019, such disclosure controls and procedures are effective.

There were no changes in the Company’s internal control over financial reporting during the quarter ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

## PART II—OTHER INFORMATION

### Item 1. LEGAL PROCEEDINGS

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

### Item 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in the Company’s 2018 Form 10-K.

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

The following table summarizes the surrenders of our equity securities during the three months ended March 31, 2019:

| Period                                     | Total Number of Shares Purchased <sup>(a)</sup> | Average Price Paid per Share <sup>(a)</sup> | Total Number of Shares Purchased as Part of Publicly Announced Programs <sup>(b)</sup> | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs <sup>(b)</sup> |
|--|---|---|--|--|
| Dollars in Millions, Except Per Share Data |   |   |  |  |
| January 1 to 31, 2019                      | 18,799  | \$ 51.27                                    | —  | \$ 1,348   |
| February 1 to 28, 2019                     | 150,539   | 51.75                                       | —  | 1,348  |
| March 1 to 31, 2019                        | 983,201   | 51.38                                       | —  | 1,348  |
| Three months ended March 31, 2019          | 1,152,539                                       |   | —  |  |

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

(b) In May 2010, the Board of Directors authorized the repurchase of up to \$3.0 billion of common stock and in June 2012 increased its authorization for the repurchase of common stock by an additional \$3.0 billion. In October 2016, the Board of Directors approved a new share repurchase program authorizing the repurchase of an additional \$3.0

billion of common stock. The stock repurchase program does not have an expiration date. Refer to “Item 1. Financial Statements—Note 16. Equity” for information on the accelerated share repurchase agreements.



Item 6. EXHIBITS

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

Exhibit No. Description

31a. Section 302 Certification Letter.

31b. Section 302 Certification Letter.

32a. Section 906 Certification Letter.

32b. Section 906 Certification Letter.

The following financial statements from the Bristol-Myers Squibb Company Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, formatted in Extensible Business Reporting Language (XBRL):

101. (i) consolidated statements of earnings, (ii) consolidated statements of comprehensive income, (iii) consolidated balance sheets, (iv) consolidated statements of cash flows, and (v) the notes to the consolidated financial statements.

Indicates, in this Quarterly Report on Form 10-Q, brand names of products, which are registered trademarks not solely owned by the Company or its subsidiaries. Abilify is a trademark of Otsuka Pharmaceutical Co., Ltd.; Byetta is a trademark of Amylin Pharmaceuticals, LLC; Erbitux is a trademark of ImClone LLC; Gleevec is a trademark of Novartis International AG; Keytruda is a trademark of Merck Sharp & Dohme Corp; Onglyza is a trademark of AstraZeneca AB; and Plavix is a trademark of Sanofi S.A. Brand names of products that are in all italicized letters, without an asterisk, are registered trademarks of BMS and/or one of its subsidiaries.

## SUMMARY OF ABBREVIATED TERMS

Bristol-Myers Squibb Company and its consolidated subsidiaries may be referred to as Bristol-Myers Squibb, BMS, the Company, we, our or us in this Quarterly Report on Form 10-Q, unless the context otherwise indicates.

Throughout this Quarterly Report on Form 10-Q we have used terms which are defined below:

|                |   |                               |   |
|----------------|---|-------------------------------|---|
| 2018 Form 10-K | Annual Report on Form 10-K for the fiscal year ended December 31, 2018    | mCRPC                         | metastatic castration-resistant prostate cancer                             |
| ACS            | acute coronary syndrome   | MDL                           | multi-district litigation   |
| ALL            | acute lymphoblastic leukemia  | MSI-H                         | high microsatellite instability   |
| Amylin         | Amylin Pharmaceuticals, Inc.  | NKT                           | natural killer T cells  |
| aNDA           | abbreviated new drug applications   | NSCLC                         | non-small cell lung cancer  |
| AstraZeneca    | AstraZeneca PLC   | NVAF                          | non-valvular atrial fibrillation  |
| Celgene        | Celgene Corporation   | OTC                           | over-the-counter  |
| CERCLA         | U.S. Comprehensive Environmental Response, Compensation and Liability Act | Otsuka                        | Otsuka Pharmaceutical Co., Ltd.   |
| CML            | chronic myeloid leukemia  | PCI                           | percutaneous coronary intervention  |
| Cormorant      | Cormorant Pharmaceuticals   | PD-1                          | programmed cell death protein 1   |
| CRC            | colorectal cancer   | PD-L1                         | programmed death-ligand 1   |
| dMMR           | DNA mismatch repair deficient   | Pfizer                        | Pfizer, Inc.  |
| EC             | European Commission   | PsA                           | psoriatic arthritis   |
| EPO            | European Patent Office  | Quarterly Report on Form 10-Q | Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 |
| EPS            | earnings per share  | R&D                           | research and development  |
| ERISA          | Employee Retirement Income Security Act of 1974                           | RA                            | rheumatoid arthritis  |
| EU             | European Union  | RCC                           | renal cell carcinoma  |
| FASB           | Financial Accounting Standards Board                                      | RRMM                          | relapsed/refractory multiple myeloma  |
| FCPA           | Foreign Corrupt Practices Act   | Sanofi                        | Sanofi S.A.   |
| FDA            | U.S. Food and Drug Administration   | sBLA                          | supplemental Biologics License Application                                  |
| Flexus         | Flexus Biosciences, Inc.  | SCCHN                         | squamous cell carcinoma of the head and neck                                |
| GAAP           | U.S. generally accepted accounting principles                             | SEC                           | Securities and Exchange Commission  |
| GTN            | gross-to-net  | SK Biotek                     | SK Biotek Co., Ltd.   |
| IO             | immuno-oncology   | TMB                           | tumor mutational burden   |
| IPRD           | in-process research and development                                       | U.S.                          | United States   |
| JIA            | juvenile idiopathic arthritis   | UK                            | United Kingdom  |
| LIBOR          | London Interbank Offered Rate   | VAT                           | value added tax   |
| Lilly          | Eli Lilly and Company   | VTE                           | venous thromboembolic   |
| LOE            | loss of exclusivity   |                               |   |



SIGNATURES

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

BRISTOL-MYERS SQUIBB COMPANY  
(REGISTRANT)

Date: April 25, 2019 By: /s/ Giovanni Caforio  
Giovanni Caforio  
Chairman of the Board and Chief Executive Officer

Date: April 25, 2019 By: /s/ Charles Bancroft  
Charles Bancroft  
Chief Financial Officer