BRISTOL MYERS SQUIBB CO
Form 10-Q
July 28, 2016

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

x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2016

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO

Commission file number: 1-1136

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

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

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of “accelerated filer”, “large accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

At June 30, 2016, there were 1,670,858,535 shares outstanding of the Registrant’s $0.10 par value common stock.

BRISTOL-MYERS SQUIBB COMPANY
INDEX TO FORM 10-Q
JUNE 30, 2016

PART I—FINANCIAL INFORMATION

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

	Three Months Ended June 30,		Six Months Ended June 30,	
EARNINGS	2016	2015	2016	2015
Net product sales	$4,432	$3,572	$8,396	$6,631
Alliance and other revenues	439	591	866	1,573
Total Revenues	4,871	4,163	9,262	8,204
Cost of products sold	1,206	1,013	2,258	1,860
Marketing, selling and administrative	1,238	1,135	2,306	2,164
Research and development	1,266	1,856	2,402	2,872
Other (income)/expense	(454)	107	(974)	(192)
Total Expenses	3,256	4,111	5,992	6,704
Earnings Before Income Taxes	1,615	52	3,270	1,500
Provision for Income Taxes	427	162	876	411
Net Earnings/(Loss)	1,188	(110)	2,394	1,089
Net Earnings Attributable to Noncontrolling Interest	22	20	33	33
Net Earnings/(Loss) Attributable to BMS	$1,166	$(130)	$2,361	$1,056
Earnings/(Loss) per Common Share				
Basic	$0.70	$(0.08)	$1.41	$0.63
Diluted	$0.69	$(0.08)	$1.41	$0.63
Cash dividends declared per common share	$0.38	$0.37	$0.76	$0.74

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Dollars in Millions
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
COMPREHENSIVE INCOME	2016	2015	2016	2015
Net Earnings/(Loss)	$1,188	$(110)	$2,394	$1,089
Other Comprehensive Income/(Loss), net of taxes and reclassifications to earnings:				
Derivatives qualifying as cash flow hedges	(44)	(9)	(130)	(3)
Pension and postretirement benefits	(124)	306	(285)	262
Available-for-sale securities	41	(22)	54	(6)
Foreign currency translation	16	(32)	25	(1)
Other Comprehensive Income/(Loss)	(111)	243	(336)	252
Comprehensive Income	1,077	133	2,058	1,341

Comprehensive Income Attributable to Noncontrolling Interest	22	20	33	33
Comprehensive Income Attributable to BMS	$1,055	$113	$2,025	$1,308

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

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

ASSETS	June 30, 2016	December 31, 2015
Current Assets:		
Cash and cash equivalents	$2,934	$ 2,385
Marketable securities	1,717	1,885
Receivables	5,622	4,299
Inventories	1,437	1,221
Prepaid expenses and other	588	625
Total Current Assets	12,298	10,415
Property, plant and equipment	4,597	4,412
Goodwill	6,875	6,881
Other intangible assets	1,379	1,419
Deferred income taxes	3,389	2,844
Marketable securities	3,281	4,660
Other assets	1,012	1,117
Total Assets	$32,831	$ 31,748
LIABILITIES		
Current Liabilities:		
Short-term borrowings	$155	$ 139
Accounts payable	1,504	1,565
Accrued liabilities	4,880	4,738
Deferred income	1,182	1,003
Income taxes payable	164	572
Total Current Liabilities	7,885	8,017
Deferred income	586	586
Income taxes payable	896	742
Pension and other liabilities	1,805	1,429
Long-term debt	6,581	6,550
Total Liabilities	17,753	17,324
Commitments and contingencies (Note 18)		
EQUITY		
Bristol-Myers Squibb Company Shareholders' Equity:		
Preferred stock, $2 convertible series, par value $1 per share: Authorized 10 million shares; 4,161 issued and outstanding in both 2016 and 2015, liquidation value of $50 per share	—	—
Common stock, par value of $0.10 per share: Authorized 4.5 billion shares; 2.2 billion issued in both 2016 and 2015	221	221
Capital in excess of par value of stock	1,594	1,459
Accumulated other comprehensive loss	(2,804)	(2,468)
Retained earnings	32,706	31,613
Less cost of treasury stock – 537 million common shares in 2016 and 539 million in 2015	(16,799)	(16,559)
Total Bristol-Myers Squibb Company Shareholders' Equity	14,918	14,266

Noncontrolling interest	160	158
Total Equity	15,078	14,424
Total Liabilities and Equity	$32,831	$ 31,748

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

4

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

	Six Months Ended June 30,	
	2016	2015
Cash Flows From Operating Activities:		
Net earnings	$2,394	$1,089
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization, net	155	195
Deferred income taxes	(317)	(59)
Stock-based compensation	101	113
Impairment charges	68	20
Pension settlements and amortization	83	110
Divestiture gains and royalties	(927)	(325)
Asset acquisition charges	239	806
Other adjustments	(24)	133
Changes in operating assets and liabilities:		
Receivables	(852)	(267)
Inventories	(111)	162
Accounts payable	(36)	(618)
Deferred income	263	(162)
Income taxes payable	(515)	24
Other	(496)	(524)
Net Cash Provided by Operating Activities	25	697
Cash Flows From Investing Activities:		
Sale and maturities of marketable securities	2,794	1,808
Purchase of marketable securities	(1,195)	(1,472)
Capital expenditures	(503)	(301)
Divestiture and other proceeds	1,003	294
Acquisition and other payments	(267)	(855)
Net Cash Provided by/(Used in) Investing Activities	1,832	(526)
Cash Flows From Financing Activities:		
Short-term borrowings, net	17	167
Issuance of long-term debt	—	1,268
Repayment of long-term debt	—	(1,957)
Interest rate swap contract terminations	42	(2)
Issuance of common stock	132	201
Repurchase of common stock	(231)	—
Dividends	(1,276)	(1,242)
Net Cash Used in Financing Activities	(1,316)	(1,565)
Effect of Exchange Rates on Cash and Cash Equivalents	8	22
Increase/(Decrease) in Cash and Cash Equivalents	549	(1,372)
Cash and Cash Equivalents at Beginning of Period	2,385	5,571
Cash and Cash Equivalents at End of Period	$2,934	$4,199

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

5

Note 1. BASIS OF PRESENTATION AND RECENTLY ISSUED ACCOUNTING STANDARDS

Bristol-Myers Squibb Company (which may be referred to as Bristol-Myers Squibb, BMS or the Company) prepared these unaudited consolidated financial statements following the requirements of the Securities and Exchange Commission (SEC) and United States (U.S.) generally accepted accounting principles (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 Form 10-Q, which include all adjustments necessary for a fair presentation of the financial position at June 30, 2016 and December 31, 2015, the results of operations for the three and six months ended June 30, 2016 and 2015, and cash flows for the six months ended June 30, 2016 and 2015. 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, 2015 included in the Annual Report on Form 10-K.

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 and assumptions. The most significant assumptions are employed in estimates used in determining the fair value and potential impairment of intangible assets; sales rebate and return accruals; legal contingencies; income taxes; estimated selling prices used in multiple element arrangements; and pension and postretirement benefits. Actual results may differ from estimates.

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

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

In June 2016, the Financial Accounting Standards Board (FASB) issued amended guidance for the measurement of credit losses on financial instruments. Entities will be required to use a forward-looking estimated loss model. Available-for-sale debt security credit losses will be recognized as allowances rather than a reduction in amortized cost. The guidance is effective beginning with interim periods in 2020 with early adoption permitted in 2019 on a modified retrospective approach. The Company is assessing the potential impact of the new standard.

In March 2016, the FASB issued amended guidance for share-based payment transactions. Excess tax benefits and deficiencies will be recognized in the consolidated statement of earnings rather than capital in excess of par value of stock on a prospective basis. A policy election will be available to account for forfeitures as they occur, with the cumulative effect of the change recognized as an adjustment to retained earnings at the date of adoption. Excess tax benefits within the consolidated statement of cash flows will be presented as an operating activity (prospective or retrospective application) and cash payments to tax authorities in connection with shares withheld for statutory tax withholding requirements will be presented as a financing activity (retrospective application). The guidance is effective beginning with interim periods in 2017 with early adoption permitted. The Company is assessing the potential impact of the new standard.

In February 2016, the FASB issued amended guidance on lease accounting. The amended guidance requires the recognition of a right-of-use asset and a lease liability, initially measured at the present value of the lease payments for leases with a term longer than 12 months. The guidance is effective beginning with interim periods in 2019 with early adoption permitted on a modified retrospective approach. The Company is assessing the potential impact of the new standard.

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

In May 2014, the FASB issued a new standard related to revenue recognition, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The new standard will replace most of the existing revenue recognition standards in U.S. GAAP when it becomes effective on January 1, 2018. Early adoption is permitted no earlier than 2017. The new standard can be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the change recognized at the date of the initial application in retained earnings. The Company is assessing the potential impact of the new standard and has not yet selected a transition method.

Note 2. BUSINESS SEGMENT INFORMATION

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

Product revenues were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
Dollars in Millions	2016	2015	2016	2015
Oncology				
Empliciti (elotuzumab)	$34	$—	$62	$—
Erbitux* (cetuximab)	—	169	—	334
Opdivo (nivolumab)	840	122	1,544	162
Sprycel (dasatinib)	451	405	858	780
Yervoy (ipilimumab)	241	296	504	621
Cardiovascular				
Eliquis (apixaban)	777	437	1,511	792
Immunoscience				
Orencia (abatacept)	593	461	1,068	861
Virology				
Baraclude (entecavir)	299	343	590	683
Hepatitis C Franchise	546	479	973	743
Reyataz (atazanavir sulfate) Franchise	247	303	468	597
Sustiva (efavirenz) Franchise	271	317	544	607
Neuroscience				
Abilify* (aripiprazole)	35	107	68	661
Mature Products and All Other	537	724	1,072	1,363
Total Revenues	$4,871	$4,163	$9,262	$8,204

*

Indicates brand names of products which are trademarks not owned or wholly owned by BMS. Specific trademark ownership information is included at the end of this quarterly report on Form 10-Q.

The composition of total revenues was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
Dollars in Millions	2016	2015	2016	2015
Net product sales	$4,432	$3,572	$8,396	$6,631
Alliance revenues	418	552	827	1,507
Other revenues	21	39	39	66
Total Revenues	$4,871	$4,163	$9,262	$8,204

7

Note 3. ALLIANCES

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
Dollars in Millions	2016	2015	2016	2015
Revenues from alliances:				
Net product sales	$1,335	$1,228	$2,566	$2,222
Alliance revenues	418	552	827	1,507
Total Revenues	$1,753	$1,780	$3,393	$3,729
Payments to/(from) alliance partners:				
Cost of products sold	$495	$423	$971	$812
Marketing, selling and administrative	(8)	(3)	(7)	22
Research and development	(3)	66	30	188
Other (income)/expense	(451)	(148)	(704)	(449)
Noncontrolling interest, pre-tax	8	23	10	28

Selected Alliance Balance Sheet information:

Dollars in Millions	June 30, 2016	December 31, 2015
Receivables - from alliance partners	$ 1,187	$ 958
Accounts payable - to alliance partners	549	542
Deferred income from alliances	1,426	1,459

Specific information pertaining to each of our significant alliances is discussed in our 2015 Form 10-K, including their nature and purpose, the significant rights and obligations of the parties and specific accounting policy elections.

Note 4. ACQUISITIONS AND DIVESTITURES

In July 2016, BMS acquired all of the outstanding shares of Cormorant Pharmaceuticals (Cormorant), a private pharmaceutical company focused on the development of therapies for cancer and rare diseases. The acquisition provides BMS with full rights to Cormorant's lead candidate HuMax-IL8, a Phase I/II monoclonal antibody that represents a potentially complementary immuno-oncology mechanism of action to T-cell directed antibodies and co-stimulatory molecules. The consideration includes an upfront payment of $35 million and contingent development and regulatory milestone payments of up to $485 million. The transaction is expected to be accounted for as an asset acquisition with essentially all value allocated to HuMax-IL8 which will be included in research and development expense.

In April 2016, BMS acquired all of the outstanding shares of Padlock Therapeutics, Inc. (Padlock), a private biotechnology company dedicated to creating new medicines to treat destructive autoimmune diseases. The acquisition provides BMS with full rights to Padlock's Protein/Peptidyl Arginine Deiminase (PAD) inhibitor discovery program focused on the development of potentially transformational treatment approaches for patients with rheumatoid arthritis. Padlock's PAD discovery program may have additional utility in treating systemic lupus erythematosus and other autoimmune diseases. The consideration includes an upfront payment of $150 million and contingent development and regulatory milestone payments of up to $450 million. No significant Padlock processes were acquired, therefore the transaction was accounted for as an asset acquisition because Padlock was determined not to be a business as that term is defined in ASC 805 - Business Combinations. The consideration was allocated to the PAD discovery program resulting in $139 million of research and development expenses and to net operating losses and tax credit carryforwards resulting in $11 million of deferred tax assets.

In May 2016, BMS sold the business comprising an alliance with Reckitt Benckiser Group plc (Reckitt) including several over-the-counter products sold primarily in Mexico and Brazil (Reckitt business). Reckitt exercised its option to acquire the business, including a manufacturing facility and related employees, for $317 million, resulting in a gain of $277 million.

In February 2016, BMS sold its investigational HIV medicines business to ViiV Healthcare which includes a number of programs at different stages of discovery, preclinical and clinical development. The transaction excluded BMS's HIV marketed medicines. BMS will provide certain R&D and other services over a transitional period. In February 2016, BMS received an upfront payment of $350 million, resulting in a gain of $269 million. BMS will also receive from ViiV Healthcare contingent development and regulatory milestone payments of up to $1.1 billion, sales-based milestone payments of up to $4.3 billion and future tiered royalties if the products are approved and commercialized.

The assets held-for-sale from the Reckitt and ViiV Healthcare businesses were $134 million at December 31, 2015 and are included in prepaid expenses and other. The amount consisted primarily of allocated goodwill relating to the businesses. The allocation of goodwill was determined using the relative fair value of the applicable businesses to the Company's reporting unit. Revenues and pretax earnings related to these businesses were not material in 2016 and 2015 (excluding the divestiture gains).

Note 5. OTHER (INCOME)/EXPENSE

	Three Months Ended June 30,		Six Months Ended June 30,	
Dollars in Millions	2016	2015	2016	2015
Interest expense	$42	$49	$85	$100
Investment income	(25)	(26)	(49)	(56)
Provision for restructuring	18	28	22	40
Litigation and other settlements	6	4	49	16
Equity in net income of affiliates	(20)	(22)	(46)	(48)
Divestiture gains	(283)	(8)	(553)	(162)
Royalties and licensing income	(167)	(97)	(421)	(195)
Transition and other service fees	(74)	(27)	(127)	(54)
Pension charges	25	36	47	63
Out-licensed intangible asset impairment	—	—	15	13
Equity investment impairment	45	—	45	—
Written option adjustment	—	—	—	(36)
Loss on debt redemption	—	180	—	180
Other	(21)	(10)	(41)	(53)

Other (income)/expense	$(454)	$107	$(974)	$(192)

9

Note 6. INCOME TAXES

	Three Months Ended June 30,		Six Months Ended June 30,	
Dollars in Millions	2016	2015	2016	2015
Earnings Before Income Taxes	$1,615	$52	$3,270	$1,500
Provision for Income Taxes	427	162	876	411
Effective tax rate	26.4 %	311.5 %	26.8 %	27.4 %

The effective tax rate is lower than the U.S. statutory rate of 35% primarily attributable to undistributed earnings of certain foreign subsidiaries in low tax jurisdictions that have been considered or are expected to be indefinitely reinvested offshore. These undistributed earnings primarily relate to operations in Switzerland, Ireland and Puerto Rico. If these undistributed earnings are repatriated to the U.S. in the future, or if it were determined that such earnings are to be remitted in the foreseeable future, additional tax provisions would be required. Due to complexities in the tax laws and assumptions that would have to be made, it is not practicable to estimate the amounts of income taxes that would have to be provided. Reforms to U.S. tax laws related to foreign earnings have been proposed and if adopted, may increase taxes, which could reduce the results of operations and cash flows. BMS operates under a favorable tax grant in Puerto Rico not scheduled to expire prior to 2023.

The jurisdictional tax rates and other tax impacts attributed to research and development charges, divestiture transactions and other discrete items increased the effective tax rate by 4.0% and 5.5% in the six months ended June 30, 2016 and 2015, respectively. The taxes attributed to these items were impacted by non-deductible R&D charges for Padlock and Flexus Biosciences, Inc. (Flexus) in 2016 and Flexus in 2015, higher non-deductible goodwill allocated to business divestitures in 2016 and higher valuation allowances attributed to capital loss carryforwards released in 2015. The tax impact for discrete items are reflected immediately and are not considered in estimating the annual effective tax rates. The effective tax rate for the second quarter of 2015 was primarily impacted by the $800 million non-deductible R&D charge for the acquisition of Flexus.

To a lesser extent, unfavorable earnings mix between high and low tax jurisdictions and the R&D tax credit also impacted the effective tax rates. The R&D tax credit legislation was permanently extended in December 2015 and was included in estimating the annual effective tax rate in 2016. The R&D tax credit was not extended as of June 30, 2015, therefore the tax credit was not considered in estimating the annual effective tax rate in 2015.

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 the total amount of unrecognized tax benefits at June 30, 2016 could decrease in the range of approximately $270 million to $330 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 also 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.

Note 7. EARNINGS/(LOSS) PER SHARE

	Three Months Ended June 30,		Six Months Ended June 30,	
Amounts in Millions, Except Per Share Data	2016	2015	2016	2015
Net Earnings/(Loss) Attributable to BMS used for Basic and Diluted EPS Calculation	$1,166	$(130)	$2,361	$1,056
Weighted-average common shares outstanding – basic	1,670	1,667	1,670	1,665
Contingently convertible debt common stock equivalents	—	—	—	1

Incremental shares attributable to share-based compensation plans	9	—	9	11
Weighted-average common shares outstanding – diluted	1,679	1,667	1,679	1,677
Earnings/(Loss) per Common Share:				
Basic	$0.70	$(0.08)	$1.41	$0.63
Diluted	$0.69	$(0.08)	$1.41	$0.63

Contingently convertible debt common stock equivalents and incremental shares attributable to share-based compensation plans of 10 million were excluded from the per share calculation for the three months ended June 30, 2015 because of the net loss in that period.

10

Note 8. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

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

	June 30, 2016			December 31, 2015		
Dollars in Millions	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash and cash equivalents - Money market and other securities	$—	$2,425	$2,425	$—	$1,825	$1,825
Marketable securities:						
Certificates of deposit	—	438	438	—	804	804
Commercial paper	—	100	100	—	—	—
Corporate debt securities	—	4,358	4,358	—	5,638	5,638
Equity funds	—	95	95	—	92	92
Fixed income funds	—	7	7	—	11	11
Derivative assets:						
Interest rate swap contracts	—	14	14	—	31	31
Forward starting interest rate swap contracts	—	—	—	—	15	15
Foreign currency forward contracts	—	36	36	—	50	50
Equity investments	34	—	34	60	—	60
Derivative liabilities:						
Interest rate swap contracts	—	—	—	—	(1)	(1)
Forward starting interest rate swap contracts	—	(98)	(98)	—	(7)	(7)
Foreign currency forward contracts	—	(59)	(59)	—	(10)	(10)

As further described in "Note 10. Financial Instruments and Fair Value Measurements" in our 2015 Form 10-K, our fair value estimates use inputs that are either (1) quoted prices for identical assets or liabilities in active markets (Level 1 inputs), (2) observable prices for similar assets or liabilities in active markets or for identical or similar assets or liabilities in markets that are not active (Level 2 inputs) or (3) unobservable inputs (Level 3 inputs). There were no Level 3 financial assets or liabilities as of June 30, 2016 and December 31, 2015.

Available-for-sale Securities

The following table summarizes available-for-sale securities:

Dollars in Millions	Amortized Cost	Gross Unrealized Gain in Accumulated OCI	Gross Unrealized Loss in Accumulated OCI	Fair Value
June 30, 2016				
Certificates of deposit	$ 438	$ —	$ —	$438
Commercial paper	100	—	—	100
Corporate debt securities	4,310	48	—	4,358
Equity investments	32	4	(2)	34
Total	$ 4,880	$ 52	$ (2)	$4,930
December 31, 2015				
Certificates of deposit	$ 804	$ —	$ —	$804
Corporate debt securities	5,646	15	(23)	5,638
Equity investments	74	10	(24)	60
Total	$ 6,524	$ 25	$ (47)	$6,502

Dollars in Millions

	June 30, 2016	December 31, 2015
Current marketable securities[(a)]	$ 1,717	$ 1,885
Non-current marketable securities[(b)]	3,281	4,660
Other assets	34	60
Available-for-sale securities	$ 5,032	$ 6,605

(a) The fair value option for financial assets was elected for investments in equity and fixed income funds. The fair value of these investments were $102 million at June 30, 2016 and $103 million at December 31, 2015 and were included in current marketable securities.

(b) All non-current marketable securities mature within five years as of June 30, 2016 and December 31, 2015.

11

Qualifying Hedges and Non-Qualifying Derivatives

The following table summarizes the fair value of outstanding derivatives:

		June 30, 2016		December 31, 2015	
Dollars in Millions	Balance Sheet Location	Notional	Fair Value	Notional	Fair Value
Derivatives designated as hedging instruments:					
Interest rate swap contracts	Other assets	$1,250	$ 14	$1,100	$ 31
Interest rate swap contracts	Pension and other liabilities	—	—	650	(1)
Forward starting interest rate swap contracts	Other assets	—	—	500	15
Forward starting interest rate swap contracts	Accrued liabilities	750	(98)	—	—
Forward starting interest rate swap contracts	Pension and other liabilities	—	—	250	(7)
Foreign currency forward contracts	Prepaid expenses and other	638	36	1,016	50
Foreign currency forward contracts	Accrued liabilities	782	(55)	342	(5)
Foreign currency forward contracts	Pension and other liabilities	31	(1)	—	—
Derivatives not designated as hedging instruments:					
Foreign currency forward contracts	Accrued liabilities	380	(3)	445	(5)

Cash Flow Hedges — The notional amount of outstanding foreign currency forward contracts was primarily attributed to the euro ($721 million) and Japanese yen ($441 million) at June 30, 2016.

Net Investment Hedges — Non-U.S. dollar borrowings of €950 million ($1,055 million) are designated to hedge euro currency exposures of the net investment in certain foreign affiliates.

Fair Value Hedges — The notional amount of fixed-to-floating interest rate swap contracts terminated was $500 million in 2016 and $147 million in 2015 generating proceeds of $43 million in 2016 and $28 million in 2015 (including accrued interest).

Debt Obligations

Long-term debt includes:

Dollars in Millions	June 30, 2016	December 31, 2015
Principal Value	$6,353	$ 6,339
Adjustments to Principal Value:		
Fair value of interest rate swap contracts	14	30
Unamortized basis adjustment from swap terminations	301	272
Unamortized bond discounts and issuance costs	(87)	(91)
Total	$6,581	$ 6,550

The fair value of debt was $7,455 million at June 30, 2016 and $6,909 million at December 31, 2015 valued using Level 2 inputs. Interest payments were $102 million and $124 million for the six months ended June 30, 2016 and 2015, respectively, net of amounts related to interest rate swap contracts.

The following summarizes the issuance and redemption of long-term debt obligations in 2015 (none in 2016) and related termination of interest rate swap contracts:

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

Dollars in Millions	Six Months Ended June 30, 2015
Principal amount	$ 1,624
Carrying value	1,795
Debt redemption price	1,957
Notional amount of interest rate swap contracts terminated	735
Interest rate swap contract termination payments	11
Loss on debt redemption[(a)]	180

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

Note 9. RECEIVABLES

Dollars in Millions	June 30, 2016	December 31, 2015
Trade receivables	$3,825	$ 3,070
Less allowances	(140)	(122)
Net trade receivables	3,685	2,948
Alliance receivables	1,187	958
Prepaid and refundable income taxes	483	182
Other	267	211
Receivables	$5,622	$ 4,299

Non-U.S. receivables sold on a nonrecourse basis were $341 million and $188 million for the six months ended June 30, 2016 and 2015, respectively. Receivables from three pharmaceutical wholesalers in the U.S. represented 62% and 53% of total trade receivables at June 30, 2016 and December 31, 2015, respectively.

Note 10. INVENTORIES

Dollars in Millions	June 30, 2016	December 31, 2015
Finished goods	$ 399	$ 381
Work in process	977	868
Raw and packaging materials	248	199

Total inventories	$ 1,624	$ 1,448
Inventories	$ 1,437	$ 1,221
Other assets	187	227

Other assets include inventory pending regulatory approval of $108 million at June 30, 2016 and $85 million at December 31, 2015 and other amounts expected to remain on-hand beyond one year.

13

Note 11. PROPERTY, PLANT AND EQUIPMENT

Dollars in Millions	June 30, 2016	December 31, 2015
Land	$107	$ 107
Buildings	4,700	4,515
Machinery, equipment and fixtures	3,440	3,347
Construction in progress	699	662
Gross property, plant and equipment	8,946	8,631
Less accumulated depreciation	(4,349)	(4,219)
Property, plant and equipment	$4,597	$ 4,412

Depreciation expense was $210 million and $258 million for the six months ended June 30, 2016 and 2015, respectively.

Note 12. OTHER INTANGIBLE ASSETS

Dollars in Millions	June 30, 2016	December 31, 2015
Licenses	$559	$ 574
Developed technology rights	2,358	2,357
Capitalized software	1,362	1,302
In-process research and development	120	120
Gross other intangible assets	4,399	4,353
Less accumulated amortization	(3,020)	(2,934)
Other intangible assets	$1,379	$ 1,419

Amortization expense was $88 million and $96 million for the six months ended June 30, 2016 and 2015, respectively.

Note 13. ACCRUED LIABILITIES

Dollars in Millions	June 30, 2016	December 31, 2015
Accrued rebates and returns	$ 1,649	$ 1,324
Employee compensation and benefits	604	904
Dividends payable	642	655
Accrued research and development	573	553
Litigation and other settlements	146	189
Royalties	170	161
Restructuring	58	89
Pension and postretirement benefits	47	47
Other	991	816
Accrued liabilities	$ 4,880	$ 4,738

Note 14. DEFERRED INCOME

Dollars in Millions	June 30, 2016	December 31, 2015
Alliances	$ 1,426	$ 1,459
Other	342	130
Total deferred income	$ 1,768	$ 1,589
Current portion	$ 1,182	$ 1,003
Non-current portion	586	586

Alliances include unamortized upfront, milestone and other licensing proceeds, revenue deferrals attributed to Atripla* and undelivered elements of diabetes business divestiture proceeds. As of June 30, 2016, other deferred income includes approximately $185 million of Opdivo product sale deferrals under an early access program in France which began in 2015. The amount of net product sales to be realized is subject to final price negotiations with the French government. Amortization of deferred income was $143 million and $159 million for the six months ended June 30, 2016 and 2015, respectively.

Note 15. EQUITY

	Common Stock		Capital in Excess of Par Value of Stock	Retained Earnings	Treasury Stock		Noncontrolling Interest
Dollars and Shares in Millions	Shares	Par Value			Shares	Cost	
Balance at January 1, 2015	2,208	$ 221	$ 1,507	$32,541	547	$(16,992)	$ 131
Net earnings	—	—	—	1,056	—	—	43
Cash dividends declared	—	—	—	(1,236)	—	—	—
Employee stock compensation plans	—	—	(144)	—	(6)	341	—
Debt conversion	—	—	—	—	—	2	—
Distributions	—	—	—	—	—	—	(6)
Balance at June 30, 2015	2,208	$ 221	$ 1,363	$32,361	541	$(16,649)	$ 168
Balance at January 1, 2016	2,208	$ 221	$ 1,459	$31,613	539	$(16,559)	$ 158
Net earnings	—	—	—	2,361	—	—	33
Cash dividends declared	—	—	—	(1,268)	—	—	—
Stock repurchase program	—	—	—	—	4	(231)	—
Employee stock compensation plans	—	—	135	—	(6)	(9)	—
Distributions	—	—	—	—	—	—	(31)
Balance at June 30, 2016	2,208	$ 221	$ 1,594	$32,706	537	$(16,799)	$ 160

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:

	2016			2015		
	Pretax	Tax	After tax	Pretax	Tax	After tax
Three Months Ended June 30,						
Derivatives qualifying as cash flow hedges:(a)						
Unrealized gains/(losses)	$(59)	$20	$ (39)	$35	$(19)	$ 16
Reclassified to net earnings	(5)	—	(5)	(36)	11	(25)
Derivatives qualifying as cash flow hedges	(64)	20	(44)	(1)	(8)	(9)
Pension and postretirement benefits:						
Actuarial gains/(losses)	(233)	83	(150)	412	(145)	267
Amortization(b)	19	(9)	10	24	(9)	15
Curtailments and settlements(c)	25	(9)	16	36	(12)	24
Pension and postretirement benefits	(189)	65	(124)	472	(166)	306
Available-for-sale securities:						
Unrealized gains/(losses)	10	(3)	7	(32)	9	(23)
Realized losses	34	—	34	1	—	1
Available-for-sale securities(d)	44	(3)	41	(31)	9	(22)
Foreign currency translation	20	(4)	16	(26)	(6)	(32)
	$(189)	$78	$ (111)	$414	$(171)	$ 243
Six Months Ended June 30,						
Derivatives qualifying as cash flow hedges:(a)						
Unrealized gains/(losses)	$(185)	$62	$ (123)	$70	$(30)	$ 40
Reclassified to net earnings	(9)	2	(7)	(63)	20	(43)
Derivatives qualifying as cash flow hedges	(194)	64	(130)	7	(10)	(3)
Pension and postretirement benefits:						
Actuarial gains/(losses)	(525)	186	(339)	292	(103)	189
Amortization(b)	36	(12)	24	47	(15)	32
Curtailments and settlements(c)	47	(17)	30	63	(22)	41
Pension and postretirement benefits	(442)	157	(285)	402	(140)	262
Available-for-sale securities:						
Unrealized gains/(losses)	37	(17)	20	(7)	1	(6)
Realized losses	34	—	34	—	—	—
Available-for-sale securities	71	(17)	54	(7)	1	(6)
Foreign currency translation	22	3	25	20	(21)	(1)
	$(543)	$207	$ (336)	$422	$(170)	$ 252

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

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

Dollars in Millions	June 30, 2016	December 31, 2015
Derivatives qualifying as cash flow hedges	$(96)	$ 34
Pension and other postretirement benefits	(2,365)	(2,080)
Available-for-sale securities	31	(23)
Foreign currency translation	(374)	(399)
Accumulated other comprehensive loss	$(2,804)	$ (2,468)

16

Note 16. PENSION AND POSTRETIREMENT BENEFIT PLANS

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	Pension Benefits		Other Benefits		Pension Benefits		Other Benefits	
Dollars in Millions	2016	2015	2016	2015	2016	2015	2016	2015
Service cost – benefits earned during the year	$7	$ 6	$1	$ 1	$13	$12	$2	$ 2
Interest cost on projected benefit obligation	49	60	2	3	100	121	5	6
Expected return on plan assets	(106)	(103)	(6)	(6)	(210)	(205)	(12)	(13)
Amortization of prior service credits	(1)	(1)	(1)	(2)	(2)	(2)	(2)	(3)
Amortization of net actuarial loss	21	26	—	1	40	50	—	