BRISTOL MYERS SQUIBB CO
Form 10-Q/A
March 28, 2003

QuickLinks -- Click here to rapidly navigate through this document

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2002

Commission File Number 1-1136

BRISTOL-MYERS SQUIBB COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**22-079-0350**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

345 Park Avenue, New York, N.Y. 10154
(Address of principal executive offices)
Telephone: (212) 546-4000

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

At February 28, 2003, there were 1,937,432,047 shares outstanding of the Registrant's $.10 par value Common Stock.

Explanatory Note

This Amendment No. 1 to Bristol-Myers Squibb Company's Quarterly Report on Form 10-Q/A for the quarterly period ended June 30, 2002 includes unaudited restated consolidated financial statements at June 30, 2002 and December 31, 2001 and for the three and six months ended June 30, 2002 and June 30, 2001.

The Company experienced a substantial buildup of wholesaler inventories in its U.S. pharmaceuticals business over several years, primarily in 2000 and 2001. This buildup was primarily due to sales incentives offered by the Company to its wholesalers. These incentives were generally offered towards the end of a quarter in order to incentivize wholesalers to purchase products in an amount sufficient to meet the Company's quarterly sales projections established by the Company's senior management. In April 2002, the Company disclosed this substantial buildup, and developed and subsequently undertook a plan to work down in an orderly fashion these wholesaler inventory levels.

In late October 2002, based on further review and consideration of the previously disclosed buildup of wholesaler inventories in the Company's U.S. pharmaceuticals business and the incentives offered to certain wholesalers, and on advice from the Company's independent auditors, PricewaterhouseCoopers LLP, the Company determined that it was required to restate its sales and earnings to correct errors in the

timing of revenue recognition for certain sales to certain U.S. pharmaceuticals wholesalers. Since that time, the Company undertook an analysis of its transactions and incentive practices with U.S. pharmaceuticals wholesalers. As a result of its analysis, the Company determined that certain of its sales to two of the largest wholesalers for the U.S. pharmaceuticals business should be accounted for under the consignment model rather than recognizing revenue for such transactions upon shipment, based in part on the relationship between the amount of incentives offered to these wholesalers and the amount of inventory held by these wholesalers. This determination involved evaluation of a variety of criteria and a number of complex accounting judgments.

Following its determination to restate its sales and earnings for the matters described above, the Company also determined that it would correct certain of its historical accounting policies to conform the accounting to U.S. generally accepted accounting principles (GAAP) and certain known errors made in the application of GAAP that were previously not recorded because in each such case the Company believed the amount of any such error was not material to the Company's consolidated financial statements. In addition, as part of the restatement process, the Company investigated its accounting practices in certain areas that involve significant judgments and determined to restate additional items with respect to which the Company concluded errors were made in the application of GAAP, including certain revisions of inappropriate accounting.

Senior management set aggressive targets for each of the Company's businesses. The errors and inappropriate accounting which were corrected by the restatement arose, at least in part, from a period of unrealistic expectations for, and consequent over-estimation of the anticipated performance of, certain of the Company's products and programs.

As a result of the foregoing, the Company restated its financial statements for the three years ended December 31, 2001, including the corresponding 2001 and 2000 interim periods, and the quarterly periods ended March 31, 2002 and June 30, 2002. The restatement affected periods prior to 1999. The impact of the restatement on such prior periods was reflected as an adjustment to opening retained earnings as of January 1, 1999.

In connection with their audits of the restatement of previously issued annual financial statements and the Company's consolidated financial statements for the year ended December 31, 2002, the Company's independent auditors, PricewaterhouseCoopers LLP, identified and communicated to the Company and the Audit Committee two "material weaknesses" (as defined under standards established by the American Institute of Certified Public Accountants) relating to the Company's accounting and public financial reporting of significant matters and to its initial recording and management review and oversight of certain accounting matters.

In the last year, the Company searched for and hired a new chief financial officer from outside the Company, restaffed the controller position, created a position of chief compliance officer and changed leadership at the Pharmaceuticals group.

In response to the wholesaler inventory buildup and the other matters identified as restatement adjustments, under the direction of the Audit Committee, in the last year, senior management has directed that the Company dedicate resources and take steps to strengthen control processes and procedures in order to identify and rectify past accounting errors and prevent a recurrence of the circumstances that resulted in the need to restate prior period financial statements. The Company also revised its budgeting process to emphasize a bottom-up approach in contrast to a top-down approach. The Company has implemented a review and certification process of its annual and quarterly reports under the Securities Exchange Act of 1934, as amended, as well as processes designed to enhance the monitoring of wholesaler inventories. In addition, the Company is in the process of expanding its business risks and disclosure group, which includes senior management, including the chief executive officer and the chief financial officer, and is taking a number of additional steps designed to create a more open environment for communications and flow of information throughout the Company. The Company continues to identify and implement actions to improve the effectiveness of its disclosure controls and procedures and internal controls, including plans to enhance its resources and training with respect to the Company's financial reporting and disclosure responsibilities, and to review such actions with its Audit Committee and independent auditors.

The restatement of previously issued financial statements reduced the Company's net earnings and diluted earnings per share in the years ended December 31, 2001, 2000 and 1999 by approximately $411 million or $0.21, $240 million or $0.12 and $366 million or $0.18, respectively, and reduced the Company's net earnings and diluted earnings per share in the three and six month periods ended June 30, 2001 by approximately $148 million and $174 million, respectively, or $.07 and $.09 per share, respectively, and increased the Company's net earnings and diluted earnings per share in the quarterly period ended March 31, 2002 by approximately $271 million or $.14 and in the quarterly period ended June 30, 2002 by approximately $39 million or $.02.

The Company's use of the consignment model to account for certain sales to two of the largest wholesalers for the U.S. pharmaceuticals business is discussed in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, in Part I of this Form 10-Q/A.

For a description of the restatement, see Note 2, Restatement of Previously Issued Financial Statements, to the accompanying restated consolidated financial statements and Amendment No. 1 to the Company's Annual Report on Form 10-K/A for the year ended December 31, 2001, which was previously filed with the Securities and Exchange Commission (SEC).

For a discussion of the Company's revenue recognition policy, reference is made to Note 1, Basis of Presentation and Accounting Standards, to the accompanying restated consolidated financial statements.

This Form 10-Q/A amends and restates Items 1 and 2 of Part I and Items 1 and 6 of Part II of the original Form 10-Q, and no other information included in the original Form 10-Q is amended hereby. The explanatory caption at the beginning of each item of this Form 10-Q/A sets forth the nature of the revisions to that item.

The Company did not amend its Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q for periods affected by the restatement that ended prior to December 31, 2001, and the financial statements and related financial information contained in such reports should no longer be relied upon.

For a discussion of events and developments subsequent to June 30, 2002, see the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002, which was previously filed with the SEC, the Company's Annual Report on Form 10-K for the year ended December 31, 2002, which is being filed concurrently with this Form 10-Q/A, and the Company's subsequent filings.

BRISTOL-MYERS SQUIBB COMPANY

INDEX TO FORM 10-Q/A

June 30, 2002

PART I FINANCIAL INFORMATION

Item 1. Restated Financial Statements

The restated consolidated financial statements, including the notes to the restated consolidated financial statements, set forth in this Item 1 have been revised to reflect the restatement and certain events occurring subsequent to the filing of the original Form 10-Q.

BRISTOL-MYERS SQUIBB COMPANY
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

	Restated June 30, 2002	Restated December 31, 2001
	(dollars in millions)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 3,547	$ 5,500
Time deposits and marketable securities	72	154
Receivables, net of allowances: $134 and $122	3,599	3,992
Inventories:		
Finished goods	948	833
Work in process	428	411
Raw and packaging materials	274	247
Consignment inventory	152	208
Total Inventories	1,802	1,699
Prepaid expenses	1,615	1,904
Total Current Assets	10,635	13,249
Property, plant and equipment	8,280	7,972
Less: Accumulated depreciation	3,209	3,085
	5,071	4,887
Goodwill	4,965	5,119
Intangible assets, net	1,982	2,084
Other assets	2,701	2,473
Total Assets	$ 25,354	$ 27,812
LIABILITIES		
Current Liabilities:		
Short-term borrowings	$ 785	$ 174
Deferred revenue on consigned inventory	1,476	2,026
Accounts payable	1,401	1,478
Dividend payable	542	542

	Restated June 30, 2002	Restated December 31, 2001
Accrued litigation settlements	90	35
Accrued expenses	2,420	3,141
Accrued rebates and returns	822	888
U.S. and foreign income taxes payable	952	2,825
Total Current Liabilities	8,488	11,109
Other liabilities	1,364	1,391
Long-term debt	6,140	6,237
Total Liabilities	15,992	18,737
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Preferred stock, $2 convertible series:		
Authorized 10 million shares; issued and outstanding 8,613 in 2002 and 8,914 in 2001, liquidation value of $50 per share		
Common stock, par value of $.10 per share:		
Authorized 4.5 billion shares; issued 2,200,746,902 in 2002 and 2,200,010,476 in 2001	220	220
Capital in excess of par value of stock	2,490	2,403
Other accumulated comprehensive loss	(1,082)	(1,117)
Retained earnings	19,208	18,958
	20,836	20,464
Less cost of treasury stock 262,839,720 common shares in 2002 and 264,389,570 in 2001	11,474	11,389
Total Stockholders' Equity	9,362	9,075
Total Liabilities and Stockholders' Equity	$ 25,354	$ 27,812

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

BRISTOL-MYERS SQUIBB COMPANY

CONSOLIDATED STATEMENT OF EARNINGS, COMPREHENSIVE INCOME AND RETAINED EARNINGS

(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	Restated 2002	Restated 2001	Restated 2002	Restated 2001
	(in millions, except per share data)			
EARNINGS				
Net Sales	$ 4,127	$ 4,286	$ 8,788	$ 8,875

	Three Months Ended June 30,		Six Months Ended June 30,	
Cost of products sold	1,466	1,266	2,968	2,529
Marketing, selling and administrative	937	961	1,849	1,874
Advertising and product promotion	345	392	604	731
Research and development	527	483	1,029	981
Acquired in-process research and development			160	3
Gain on sales of businesses/product lines		(67)	(30)	(99)
Provision for restructuring and other items	2	(9)	1	(9)
Litigation settlement charge			90	
Other (income)/expense, net	126	(6)	165	(31)
	3,403	3,020	6,836	5,979
Earnings from Continuing Operations Before Minority Interest and Income Taxes	724	1,266	1,952	2,896
Provision (benefit) for income taxes	209	307	542	693
Minority interest, net of taxes[(1)]	36	5	89	32
Earnings from Continuing Operations	479	954	1,321	2,171
Discontinued Operations				
Net earnings		99		192
Net gain on disposal			14	
		99	14	192
Net Earnings	$ 479	$ 1,053	$ 1,335	$ 2,363
Earnings Per Common Share				
Basic				
Earnings from Continuing Operations	$ .25	$ .49	$ .68	$ 1.12
Discontinued Operations:				
Net earnings		.05		.10
Net gain on disposal			.01	
		.05	.01	.10
Net Earnings	$ .25	$ .54	$ .69	$ 1.22
Diluted				
Earnings from Continuing Operations	$ .25	$ .49	$ .68	$ 1.10
Discontinued Operations:				
Net earnings		.05		.10
Net gain on disposal			.01	

	Three Months Ended June 30,		Six Months Ended June 30,	
		.05	.01	.10
Net Earnings	$ .25	$ .54	$ .69	$ 1.20
Average Common Shares Outstanding				
Basic	1,937	1,940	1,936	1,944
Diluted	1,944	1,964	1,946	1,971
Dividends declared per Common Share	$ .280	$ .275	$ .560	$ .550

(1) Includes minority interest expense and income from unconsolidated affiliates.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	Restated 2002	Restated 2001	Restated 2002	Restated 2001
COMPREHENSIVE INCOME				
Net Earnings	$ 479	$ 1,053	$ 1,335	$ 2,363
Other Comprehensive Income (Loss):				
Foreign currency translation, net of tax benefit of $1 and $13 for the three months ended June 30, 2002 and 2001; and $11 and $32 for the six months ended June 30, 2002 and 2001.	56	(52)	8	30
Deferred gains on derivatives qualifying as hedges, net of tax of $12 and $6 for the three months ended June 30, 2002 and 2001; and $8 and $19 for the six months ended June 30, 2002 and 2001.	36	9	27	26
Total Other Comprehensive Income (Loss)	92	(43)	35	56
Comprehensive Income	$ 571	$ 1,010	$ 1,370	$ 2,419

RETAINED EARNINGS	
Retained Earnings, January 1	$ 18,958 $ 16,422
Net Earnings	1,335 2,363
Cash dividends declared	(1,085) (1,067)
Retained Earnings, June 30	$ 19,208 $ 17,718

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

BRISTOL-MYERS SQUIBB COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

	Six Months Ended June 30,	
	Restated 2002	**Restated 2001**
	(dollars in millions)	
Cash Flows From Operating Activities:		
Net earnings	$ 1,335	$ 2,363
Depreciation	212	232
Amortization	149	109
Litigation settlement charge	90	
Provision for restructuring and other items	4	(9)
Acquired in-process research and development	160	3
Gain on sales of businesses/product lines	(54)	(99)
Other operating items	(11)	6
Receivables	340	86
Inventories	(78)	(163)
Deferred revenue on consigned inventory	(550)	449
Accounts payable and accrued expenses	(531)	(170)
Income taxes	(1,547)	(114)
Product liability	(38)	(119)
Insurance recoverable	34	125
Pension contribution to the U.S. retirement income plan	(150)	(215)
Other assets and liabilities	(45)	(101)
Net Cash (Used In) Provided by Operating Activities	(680)	2,383
Cash Flows From Investing Activities:		
Proceeds from sales of time deposits and marketable securities	314	729
Purchases of time deposits and marketable securities	(225)	(742)
Additions to property, plant and equipment	(477)	(411)
Proceeds from product divestitures	88	135
Business acquisitions (including purchase of trademarks/patents)	(200)	(60)
DuPont acquisition costs and liabilities	(306)	
Other, net	88	(72)
Net Cash Used in Investing Activities	(718)	(421)
Cash Flows From Financing Activities:		
Short-term borrowings	530	2
Long-term debt borrowings	2	

	Six Months Ended June 30,	
Long-term debt repayments	(6)	(1)
Issuances of common stock under stock plans	120	132
Purchases of treasury stock	(117)	(1,272)
Dividends paid	(1,084)	(1,072)
Net Cash Used in Financing Activities	(555)	(2,211)
Effect of Exchange Rates on Cash		11
Decrease in Cash and Cash Equivalents	(1,953)	(238)
Cash and Cash Equivalents at Beginning of Period	5,500	3,182
Cash and Cash Equivalents at End of Period	$ 3,547	$ 2,944

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

BRISTOL-MYERS SQUIBB COMPANY

NOTES TO RESTATED CONSOLIDATED FINANCIAL STATEMENTS

Throughout these notes to restated consolidated financial statements, all referenced amounts for current and prior periods and prior period comparisons reflect the balances and amounts on a restated basis.

Note 1: Basis of Presentation and New Accounting Standards

Bristol-Myers Squibb Company (the Company) prepared these unaudited restated consolidated financial statements following the requirements of the Securities and Exchange Commission (SEC) and U.S. generally accepted accounting principles (GAAP) for interim reporting. Under those rules, certain footnotes and other financial information that are normally required by GAAP for annual financial statements can be condensed or omitted. The Company is responsible for the restated consolidated financial statements included in this Form 10-Q/A. These restated consolidated financial statements include all normal and recurring adjustments necessary for a fair presentation of the Company's restated financial position at June 30, 2002 and December 31, 2001, and the restated results of its operations for the three and six months ended June 30, 2002 and 2001 and restated cash flows for the six months ended June 30, 2002 and 2001. Note 2, Restatement of Previously Issued Financial Statements, to these restated consolidated financial statements provides a summary discussion of the restatement. These restated consolidated financial statements should be read in conjunction with the restated consolidated financial statements and the related notes included in Amendment No. 1 to the Company's Annual Report on Form 10-K/A for the year ended December 31, 2001 (2001 Form 10-K/A). PricewaterhouseCoopers LLP, the Company's independent accountants, have performed a review of the unaudited restated consolidated financial statements included in this Form 10-Q/A, and their review report thereon accompanies this Form 10-Q/A.

Revenues, expenses, assets and liabilities can vary during each quarter of the year. Accordingly, the results and trends in these unaudited restated consolidated interim financial statements may not be the same as those for the full year.

The Company recognizes revenue for sales upon shipment of product to its customers, except in the case of certain transactions with its U.S. pharmaceuticals wholesalers which are accounted for using the consignment model. Under GAAP, revenue is recognized when substantially all the risks and rewards of ownership have transferred. In the case of sales made to wholesalers (1) as a result of incentives, (2) in excess of the wholesaler's ordinary course of business inventory level, (3) at a time when there was an understanding, agreement, course of dealing or consistent business practice that the Company would extend incentives based on levels of excess inventory in connection with future purchases and (4) at a time when such incentives would cover substantially all, and vary directly with, the wholesaler's cost of carrying inventory in excess of the wholesaler's ordinary course of business inventory level, substantially all the risks and rewards of ownership do not transfer upon shipment and, accordingly, such sales should be accounted for using the consignment model. The determination of when, if at all,

sales to a wholesaler meet the foregoing criteria involves evaluation of a variety of factors and a number of complex judgments. Under the consignment model, the Company does not recognize revenue upon shipment of product. Rather, upon shipment of product the Company invoices the wholesaler, records deferred revenue at gross invoice sales price and classifies the inventory held by the wholesalers as consignment inventory at the Company's cost of such inventory. The Company recognizes revenue when the consignment inventory is no longer subject to incentive arrangements but not later than when such inventory is sold through to the wholesalers' customers, on a first-in first-out (FIFO) basis.

Revenues are reduced at the time of sale to reflect expected returns that are estimated based on historical experience. Additionally, provision is made at the time of sale for all discounts, rebates and

estimated sales allowances based on historical experience updated for changes in facts and circumstances, as appropriate. Such provision is recorded as a reduction of revenue.

The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant assumptions are employed in estimates used in determining values of intangible assets, restructuring charges and accruals, sales rebate and return accruals, legal contingencies and tax assets and tax liabilities, as well as in estimates used in applying the revenue recognition policy and accounting for retirement and postretirement benefits (including the actuarial assumptions). Actual results could differ from the estimated results.

Certain prior year amounts have been reclassified to conform to the current year presentation.

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN 46). FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN 46 also requires disclosures about variable interest entities that a company is not required to consolidate but in which it has a significant variable interest. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003 and to existing entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply to all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company is in the process of assessing what impact this pronouncement will have on its consolidated financial statements. Based on its preliminary analysis of the impact of FIN 46, the Company believes that it is reasonably possible that ImClone Systems Incorporated (ImClone) could meet the criteria to be considered a variable interest entity in relation to the Company. Accordingly, the Company has included the required transitional disclosures of FIN 46 in Note 4, Alliances and Investments, to these restated consolidated financial statements.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure*. SFAS No. 148 amends SFAS No. 123, *Accounting for Stock-Based Compensation*, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of SFAS No. 148 are effective for financial statements for fiscal years and interim periods ending after December 15, 2002. SFAS No. 148 did not have a material impact on the Company's consolidated financial statements, as the adoption of this standard did not require the Company to change, and the Company does not plan to change, to the fair value based method of accounting for stock-based compensation.

In November 2002, the FASB issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (FIN 45). FIN 45 requires a guarantor to recognize a liability at the inception of the guarantee for the fair value of the obligation undertaken in issuing the guarantee and include more detailed disclosure with respect to guarantees. The types of contracts the Company enters into that meet the scope of this interpretation are financial and performance standby letters of credit on behalf of wholly-owned subsidiaries. FIN 45 is

effective for guarantees issued or modified after December 31, 2002. The initial adoption of this accounting pronouncement is not expected to have a material effect on the Company's consolidated financial statements.

In June 2002, the FASB issued SFAS No. 146, *Accounting for Exit or Disposal Activities*, effective for exit or disposal activities that are initiated after December 31, 2002. SFAS No. 146 addresses issues regarding the recognition, measurement, and reporting of costs that are associated with exit and/or disposal activities, including restructuring activities that are currently accounted for pursuant to the guidance that the Emerging Issues Task Force (EITF) has set forth in EITF Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*, and the SEC has set forth in the Staff Accounting Bulletin No. 100, *Restructuring and Impairment Charges*. The initial adoption of this accounting standard is not expected to have a material effect on the Company's consolidated financial statements.

In April 2002, the FASB issued SFAS No. 145, which superseded SFAS No. 4 and the requirement to aggregate all gains and losses from extinguishment of debt and to classify, if material, as an extraordinary item, net of related income tax effect. As a result, the criteria in Accounting Principles Board Opinion No. 30 will be used to classify those gains and losses. SFAS No. 145 also amends SFAS No. 13 to require that certain lease modifications that have economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. The Company does not believe the initial adoption of this standard will have a material effect on its consolidated financial statements.

As part of the restatement of previously issued financial statements, the Company adopted EITF Issue No. 01-9, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)*, as of January 1, 2002, and now presents the cost of certain vendor considerations (e.g., cooperative advertising payments, shelving allowances and manufacturer's coupons) as reductions of revenue instead of advertising and promotion expenses. Financial information for all prior periods presented has been reclassified to comply with the new income statement classification requirements. Pursuant to EITF 01-9, certain advertising and promotion expenses were reclassified from advertising and promotion expenses to a reduction in net sales in the three and six months ended June 30, 2002 in the amount of $45 million and $86 million, respectively, and in the three and six months ended June 30, 2001 in the amount of $33 million and $75 million, respectively.

Effective January 1, 2002, the Company adopted the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* This statement supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of,* and the accounting and reporting provisions of APB Opinion No. 30, *Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*, for the disposal of a segment of business. SFAS No. 144 addresses accounting for the impairment of long-lived assets and the appropriate methodology for recording an impairment loss. The adoption of this statement did not have a material impact on the consolidated financial statements of the Company.

In June 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations.* Under SFAS No. 143, the fair value of a liability for an asset retirement obligation must be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. The provisions of SFAS No. 143 are effective for financial statements for fiscal years beginning after June 15, 2002. The

initial adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In June 2001, the FASB issued SFAS No. 142, *Goodwill and Other Intangible Assets*, effective for fiscal years beginning after December 15, 2001. The Company adopted SFAS No. 142 on January 1, 2002, with certain provisions applied earlier (upon acquisition) to goodwill and other tangible assets acquired after June 30, 2001. SFAS No. 142 addresses the initial recognition and measurement of intangible assets acquired and the recognition and measurement of goodwill and other intangible assets subsequent to their acquisition. Under the new rules, goodwill and intangible assets acquired other than in a business combination with indefinite lives will no longer be amortized but will be subject to annual impairment tests. The goodwill arising from business acquisitions prior to July 1, 2001 was amortized on a straight-line basis over periods ranging from 15 to 40 years. This goodwill is no longer being amortized effective in 2002. Total restated expenses related to the amortization of goodwill included in earnings for the three and six month periods ended June 30, 2001 were $19 million and $38 million, respectively, or $0.01 per share on a basic and diluted basis for both periods.

In accordance with SFAS No. 142, goodwill and indefinite-lived intangible assets are tested for impairment upon adoption of the standard and annually thereafter. SFAS No. 142 requires that goodwill be tested for impairment using a two-step process. The first step is to identify a potential impairment and the second step measures the amount of the impairment loss, if any. Goodwill is deemed to be impaired if the carrying amount of a reporting unit's goodwill exceeds its estimated fair value. SFAS No. 142 requires that indefinite-lived intangible assets be tested for impairment using a one-step process, which consists of a comparison of the fair value to the carrying value of the intangible asset. Intangible assets are deemed to be impaired if the net book value exceeds the estimated fair value. The Company has completed its goodwill impairment

assessment which indicated no impairment of goodwill.

The changes in the carrying amount of goodwill for the year ended December 31, 2001 and the six months ended June 30, 2002 were as follows:

	Restated Pharmaceuticals Segment	Restated Nutritionals Segment	Restated Other Healthcare Segment	Restated Total
	(dollars in millions)			
Balance as of December 31, 2000[1]	$ 944	$ 208	$ 202	$ 1,354
Amortization expense	(43)	(18)	(14)	(75)
Additions	3,837	1	2	3,840
Balance as of December 31, 2001	4,738	191	190	5,119
Purchase accounting adjustments related to recent acquisitions:				
change in exit cost estimate	(73)			(73)
purchase price and allocation adjustments	(81)			(81)
Subtotal	(154)			(154)
Balance as of June 30, 2002	$ 4,584	$ 191	$ 190	$ 4,965

(1) Excludes $55 million of goodwill related to discontinued operations.

As of June 30, 2002 and December 31, 2001, intangible assets consisted of the following:

	Restated June 30, 2002	Restated December 31, 2001
	(dollars in millions)	
Patents / Trademarks	$ 213	$ 213
Licenses	540	514
Technology	1,783	1,783
	2,536	2,510
Accumulated Amortization	554	426
Net Carrying Amount	$ 1,982	$ 2,084

Amortization expense as restated for intangible assets (the majority of which is included in cost of products sold) for the three months ended June 30, 2002 and 2001 was $67 million and $26 million, respectively, and for the six months ended June 30, 2002 and 2001 was $133 million and $55 million, respectively. The increase in 2002 from the prior year is primarily due to intangible assets acquired in the DuPont acquisition, which was completed on October 1, 2001. Expected amortization expense through 2007 related to the current balance of intangible

assets is as follows:

	(dollars in millions)
For the year ended December 31, 2002	$ 266
For the year ended December 31, 2003	$ 212
For the year ended December 31, 2004	$ 195
For the year ended December 31, 2005	$ 186
For the year ended December 31, 2006	$ 185
For the year ended December 31, 2007	$ 183

Note 2: Restatement of Previously Issued Financial Statements

The Company experienced a substantial buildup of wholesaler inventories in its U.S. pharmaceuticals business over several years, primarily in 2000 and 2001. This buildup was primarily due to sales incentives offered by the Company to its wholesalers. These incentives were generally offered towards the end of a quarter in order to incentivize wholesalers to purchase products in an amount sufficient to meet the Company's quarterly sales projections established by the Company's senior management. In April 2002, the Company disclosed this substantial buildup, and developed and subsequently undertook a plan to work down in an orderly fashion these wholesaler inventory levels.

In late October 2002, based on further review and consideration of the previously disclosed buildup of wholesaler inventories in the Company's U.S. pharmaceuticals business and the incentives offered to certain wholesalers, and on advice from the Company's independent auditors, PricewaterhouseCoopers LLP, the Company determined that it was required to restate its sales and earnings to correct errors in the timing of revenue recognition for certain sales to certain U.S. pharmaceuticals wholesalers. Since that time, the Company undertook an analysis of its transactions and incentive practices with U.S. pharmaceuticals wholesalers. As a result of its analysis, the Company determined that certain of its sales to two of the largest wholesalers for the U.S. pharmaceuticals business should be accounted for under the

consignment model rather than recognizing revenue for such transactions upon shipment, based in part on the relationship between the amount of incentives offered to these wholesalers and the amount of inventory held by these wholesalers. This determination involved evaluation of a variety of criteria and a number of complex accounting judgments.

Following its determination to restate its sales and earnings for the matters described above, the Company also determined that it would correct certain of its historical accounting policies to conform the accounting to GAAP and certain known errors made in the application of GAAP that were previously not recorded because in each such case the Company believed the amount of any such error was not material to the Company's consolidated financial statements. In addition, as part of the restatement process, the Company investigated its accounting practices in certain areas that involve significant judgments and determined to restate additional items with respect to which the Company concluded errors were made in the application of GAAP, including certain revisions of inappropriate accounting.

Senior management set aggressive targets for each of the Company's businesses. The errors and inappropriate accounting which were corrected by the restatement arose, at least in part, from a period of unrealistic expectations for, and consequent over-estimation of the anticipated performance of, certain of the Company's products and programs.

As a result of the foregoing, the Company restated its financial statements for the three years ended December 31, 2001, including the corresponding 2001 and 2000 interim periods, and the quarterly periods ended March 31, 2002 and June 30, 2002. The restatement affected periods prior to 1999. The impact of the restatement on such prior periods was reflected as an adjustment to opening retained earnings as of January 1, 1999.

In connection with their audits of the restatement of previously issued annual financial statements and the Company's consolidated financial statements for the year ended December 31, 2002, the Company's independent auditors, PricewaterhouseCoopers LLP, identified and communicated to the Company and the Audit Committee two "material weaknesses" (as defined under standards established by the American Institute of Certified Public Accountants) relating to the Company's accounting and public financial reporting of significant matters and to its initial recording and management review and oversight of certain accounting matters.

In the last year, the Company searched for and hired a new chief financial officer from outside the Company, restaffed the controller position, created a position of chief compliance officer and changed leadership at the Pharmaceuticals group.

In response to the wholesaler inventory buildup and the other matters identified as restatement adjustments, under the direction of the Audit Committee, in the last year, senior management has directed that the Company dedicate resources and take steps to strengthen control processes and procedures in order to identify and rectify past accounting errors and prevent a recurrence of the circumstances that resulted in the need to restate prior period financial statements. The Company also revised its budgeting process to emphasize a bottom-up approach in contrast to a top-down approach. The Company has implemented a review and certification process of its annual and quarterly reports under the Securities Exchange Act of 1934, as amended, as well as processes designed to enhance the monitoring of wholesaler inventories. In addition, the Company is in the process of expanding its business risks and disclosure group, which includes senior management, including the chief executive officer and the chief financial officer, and is taking a number of additional steps designed to create a more open environment for communications

and flow of information throughout the Company. The Company continues to identify and implement actions to improve the effectiveness of its disclosure controls and procedures and internal controls, including plans to enhance its resources and training with respect to financial reporting and disclosure responsibilities, and to review such actions with its Audit Committee and independent auditors.

For additional description of each restatement adjustment, see Note 2, Restatement of Previously Issued Financial Statements, to the restated consolidated financial statements included in the Company's 2001 Form 10-K/A.

In addition to the restatement matters described in Note 2, Restatement of Previously Issued Financial Statements, to the restated consolidated financial statements included in the Company's 2001 Form 10-K/A, and as part of the restatement of previously issued financial statements, the Company restated its acquired in-process research and development charge for the first quarter of 2002. On March 5, 2002, the Company's agreement with ImClone was revised. Under the revised agreement with ImClone, which is described in Note 4, Alliances and Investments, to these restated consolidated financial statements, the Company agreed to pay ImClone a $200 million milestone payment, of which $140 million was paid upon signing of the revised agreement in March 2002 and $60 million was payable on the one year anniversary of signing. With respect to the $140 million paid in March 2002, the Company expensed $112 million (or 80.1%) as acquired in-process research and development and recorded $28 million (or 19.9%) as an additional equity investment to eliminate the income statement effect of the portion of the milestone payment for which the Company has an economic claim through its 19.9% ownership interest in ImClone. The Company determined that the $60 million portion of the milestone payment that was payable on the one year anniversary of signing the revised agreement should have been recognized in March 2002. Accordingly, the Company corrected this error by restating its first quarter of 2002 acquired in-process research and development charge to expense $48 million (or 80.1%) of such portion of the milestone payment and recorded $12 million (or 19.9%) of such portion of the milestone payment as an additional equity investment. This additional equity investment was written-off as part of the Company's ImClone impairment charge, recorded in the third quarter of 2002.

As part of the restatement of previously issued financial statements, the Company adopted EITF 01-9, which it originally began to apply in the third quarter of 2002, as of January 1, 2002. For additional information, see Note 1, Basis of Presentation and New Accounting Standards, to these restated consolidated financial statements.

As a result of the restatement, the Company delayed filing its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002 (third quarter 2002 Form 10-Q). As previously disclosed, this delay resulted in a breach by the Company of delivery of SEC filing obligations under the 1993 Indenture (Indenture) between Bristol-Myers Squibb Company and JPMorgan Chase Bank (formerly The Chase Manhattan Bank), as the trustee, and certain other credit agreements, and gave certain rights to the trustee under the Indenture and the respective lenders under such credit agreements to accelerate maturity of the Company's indebtedness. Neither the trustee nor the respective lenders exercised their right to accelerate. The Company has filed the third quarter 2002 Form 10-Q with the SEC and cured the noncompliance with the abovementioned obligations in the Indenture and these other credit agreements. Accordingly, the debt outstanding under the Indenture and these other credit agreements no longer can be accelerated and, therefore, is classified as long-term debt in the Company's consolidated balance sheet.

The following table presents the impact of the restatement adjustments on the Company's previously reported net sales, earnings from continuing operations before minority interest and income taxes and earnings from continuing operations for the three and six months ended June 30, 2002 and 2001:

	Three Months Ended	Six Months Ended

	Three Months Ended		Six Months Ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
	(dollars in millions)			
Net Sales, as previously reported:	$ 4,053	$ 4,709	$ 8,135	$ 9,398
Restatement adjustments:				
Consignment sales	187	(405)	533	(438)
Sales rebate accruals	(68)	15	206	(10)
EITF 01-9 reclassification	(45)	(33)	(86)	(75)
Net Sales, as restated	$ 4,127	$ 4,286	$ 8,788	$ 8,875
Earnings from Continuing Operations Before Minority Interest and Income Taxes, as previously reported:	$ 645	$ 1,543	$ 1,419	$ 3,287
Revenue recognition restatement adjustments:				
Consignment sales	168	(317)	436	(334)
Sales rebate accruals	(57)	13	209	(11)
Subtotal	111	(304)	645	(345)
Other Restatement Adjustments:				
Capitalized research and development payments	8	11	18	19
Irbesartan transaction	(31)		(62)	
Acquisition liabilities		(2)		(2)
Divestiture liabilities		20	(42)	(59)
Restructuring and other items	(5)	(2)	(5)	(4)
Other	(4)		(21)	
Total restatement adjustments	79	(277)	533	(391)
Earnings from Continuing Operations Before Minority Interest and Income Taxes, as restated:	724	1,266	1,952	2,896
Taxes, as previously reported	175	415	330	880
Deferred taxes on intercompany profit	29	(26)	59	(51)
Current taxes-interest		(9)		(17)
Tax effect of other restatement adjustments	5	(73)	153	(119)
Taxes, as restated	209	307	542	693
Minority interest, as previously reported	29	26	63	62
Effect of restatement adjustments on minority interest	7	(21)	26	(30)
Minority interest, as restated	36	5	89	32
Earnings from Continuing Operations, as restated	$ 479	$ 954	$ 1,321	$ 2,171

The restatement adjustments resulted in a cumulative net reduction of stockholders' equity of $1.4 billion as of June 30, 2002. As discussed above, the impact of the restatement on periods prior to 1999 was reflected as an adjustment to opening retained earnings as of January 1, 1999. The following table presents the impact of the restatement adjustments on stockholders' equity from January 1, 1999 to June 30, 2002:

	(dollars in millions)
Adjustment to opening retained earnings as of January 1, 1999:	
Increase (decrease) in Stockholders' Equity:	
Stockholders' Equity January 1, 1999, as previously reported	$ 7,576
Sales returns	(68)
Sales rebate accruals	(59)
Capitalized research and development payments	(46)
Acquisition liabilities	31
Divestiture liabilities	28
Other restatement items	(24)
Dividend accrual	(429)
Deferred taxes on intercompany profit	(11)
Decrease in Stockholders' Equity	(578)
Stockholders' Equity January 1, 1999, as restated	$ 6,998
Additional Stockholders' Equity adjustments subsequent to adjustments to opening retained earnings as of January 1, 1999:	
Increase (decrease) January 1, 1999 through June 30, 2002:	
Net earnings	$ (707)
Impact of dividend accrual	(113)
Zimmer common stock dividend adjustment	46
Decrease in Stockholders' Equity January 1, 1999 to June 30, 2002	$ (774)

The following tables present the impact of the restatement adjustments on the Company's previously reported results for the three and six months ended June 30, 2002 and 2001 and on the balance sheet as of June 30, 2002 on a condensed basis:

	Three Months Ended June 30, 2002		Three Months Ended June 30, 2001		Six Months Ended June 30, 2002		Six Months Ended June 30, 2001	
	As Previously Reported	As Restated	As Previously Reported	As Restated	As Previously Reported	As Restated	As Previously Reported	As Restated
	(dollars in millions, except per share data)							
Net Sales	$ 4,053	$ 4,127	$ 4,709	$ 4,286	$ 8,135	$ 8,788	$ 9,398	$ 8,875
Total costs and expenses	3,613	3,648	3,607	3,332	7,110	7,467	7,053	6,704

	Three Months Ended June 30, 2002		Three Months Ended June 30, 2001		Six Months Ended June 30, 2002		Six Months Ended June 30, 2001	
Earnings from Continuing Operations	440	479	1,102	954	1,025	1,321	2,345	2,171
Discontinued Operations:								
Net Earnings			99	99			192	192
Net gain on disposal						14		
Net Earnings	$ 440	$ 479	$ 1,201	$ 1,053	$ 1,025	$ 1,335	$ 2,537	$ 2,363
Basic earnings per common share:								
Continuing Operations	$ .23	$ .25	$ .57	$ .49	$ .53	$ .68	$ 1.21	$ 1.12
Discontinued Operations:								
Net Earnings	$	$	$ .05	$ .05	$	$	$ .10	$ .10
Net gain on disposal						.01		
Net Earnings	$ .23	$ .25	$ .62	$ .54	$ .53	$ .69	$ 1.31	$ 1.22
Diluted earnings per common share:								
Continuing Operations	$ .23	$ .25	$ .56	$ .49	$ .53	$ .68	$ 1.19	$ 1.10
Discontinued Operations:								
Net Earnings	$	$	$ .05	$ .05	$	$	$ .10	$ .10
Net gain on disposal						.01		
Net Earnings	$ .23	$ .25	$ .61	$ .54	$ .53	$ .69	$ 1.29	$ 1.20

18

	June 30, 2002	
	As Previously Reported	As Restated
	(dollars in millions)	
Balance Sheet:		
Cash and marketable securities	$ 3,619	$ 3,619
Receivables, net	3,470	3,599
Inventories, including consignment inventory	1,646	1,802
Prepaid expenses	1,213	1,615
Total Current Assets	9,948	10,635
Property, plant and equipment, net	5,063	5,071
Goodwill	5,091	4,965
Intangible assets, net	2,126	1,982
Other assets	2,555	2,701

	June 30, 2002	
Total Assets	$ 24,783	$ 25,354
Short-term debt borrowings	$ 785	$ 785
Deferred revenue on consigned inventory		1,476
Other current liabilities	5,975	6,227
Total Current Liabilities	6,760	8,488
Long-term debt	6,140	6,140
Other long-term liabilities	1,169	1,364
Total Liabilities	14,069	15,992
Stockholders' Equity	10,714	9,362
Total Liabilities and Stockholders' Equity	$ 24,783	$ 25,354

The impact of the restatement adjustments on the Company's December 31, 2001 consolidated balance sheet was reported in the Company's 2001 Form 10-K/A. For a description of each restatement adjustment, see Note 2, Restatement of Previously Issued Financial Statements, to the restated consolidated financial statements included in the Company's 2001 Form 10-K/A.

Note 3: Earnings Per Share

Basic earnings per common share are computed using the weighted-average number of shares outstanding during the year. Diluted earnings per common share are computed using the weighted-average number of shares outstanding during the year, plus the incremental shares outstanding assuming the exercise of dilutive stock options. The computations for basic earnings per common share and diluted earnings per common share are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	Restated 2002	Restated 2001	Restated 2002	Restated 2001
	(in millions, except per share data)			
Earnings from Continuing Operations	$ 479	$ 954	$ 1,321	$ 2,171
Discontinued Operations:				
Net earnings		99		192
Net gain on disposal			14	
		99	14	192
Net Earnings	$ 479	$ 1,053	$ 1,335	$ 2,363

	Three Months Ended June 30,		Six Months Ended June 30,	
Basic:				
Average Common Shares Outstanding	1,937	1,940	1,936	1,944
Earnings from Continuing Operations	$ .25	$ .49	$ .68	$ 1.12
Discontinued Operations:				
Net earnings	$	$ .05	$	$ .10
Net gain on disposal			.01	
		.05	.01	.10
Net Earnings	$ .25	$ .54	$ .69	$ 1.22
Diluted:				
Average Common Shares Outstanding	1,937	1,940	1,936	1,944
Incremental Shares Outstanding Assuming the Exercise of Dilutive Stock Options	7	24	10	27
	1,944	1,964	1,946	1,971
Earnings from Continuing Operations	$ .25	$ .49	$ .68	$ 1.10
Discontinued Operations:				
Net earnings	$	$ .05	$	$ .10
Net gain on disposal			.01	
		.05	.01	.10
Net Earnings	$ .25	$ .54	$ .69	$ 1.20

Weighted-average shares issuable upon the exercise of stock options, which were not included in the diluted earnings per share calculation because they were not dilutive, were 119 million for the three and six

month periods ended June 30, 2002 and 45 million for the three and six month periods ended June 30, 2001.

Note 4: Alliances and Investments

The terms of the Company's commercialization agreement with ImClone, a biopharmaceutical company focused on developing targeted cancer treatments, for the codevelopment and copromotion of ERBITUX* in the U.S., Canada and Japan were revised on March 5, 2002. Under the revised terms:

In lieu of the $300 million milestone payment originally due upon FDA acceptance of the ERBITUX* filing, the Company agreed to pay ImClone $200 million, of which $140 million was paid upon the signing of the revised agreement in March 2002 and $60 million was paid on the one year anniversary of the signing.

The Company will pay ImClone the $500 million milestone payment, originally due in its entirety upon the FDA approval of ERBITUX*, in two parts: $250 million upon approval of the initial indication and the remaining $250 million upon approval of a second indication.

ImClone will receive a distribution fee based on a flat rate of 39% of product revenues in North America.

The terms of the revised agreement will continue through 2018.

With respect to the $200 million of milestone payments the Company agreed to pay ImClone, $160 million (or 80.1%) was expensed in the first quarter of 2002 as acquired in-process research and development, and $40 million (or 19.9%) was recorded as an additional equity investment to eliminate the income statement effect of the portion of the milestone payment for which the Company has an economic claim through its 19.9% ownership interest in ImClone.

In the third quarter of 2002, the Company recorded a pre-tax charge of $379 million for an other than temporary decline in the market value of ImClone based on the decline in value of ImClone's shares during 2002. The fair value of the equity investment in ImClone used to record the impairment was based on the market value of ImClone shares on September 30, 2002. The equity investment in ImClone as of September 30, 2002 was $111 million.

As of June 30, 2002, ImClone had total assets of $544 million and total stockholders' deficit of $75 million. For the six months ended June 30, 2002, ImClone recognized a $73 million net loss. The Company is in the process of assessing what impact FIN 46 could have on its consolidated financial statements. Based on its preliminary analysis of the impact of FIN 46, the Company believes that it is reasonably possible that ImClone could meet the criteria to be considered a variable interest entity in relation to the Company.

In 1997, the Company entered into a codevelopment and comarketing agreement with Sanofi-Synthelabo (Sanofi) for two products: AVAPRO* (irbesartan), an angiotensin II receptor antagonist indicated for the treatment of hypertension, and PLAVIX* (clopidogrel), a platelet inhibitor. The worldwide alliance operates under the framework of two geographic territories: one in the Americas and Australia and the other in Europe and Asia. Two territory partnerships were formed to manage central expenses, such as marketing, research and development and royalties, and to supply finished product to the individual countries. At the country level, agreements either to copromote (whereby a partnership was

formed between the parties to sell each brand) or to comarket (whereby the parties operate and sell their brands independently of each other) are in place.

The Company acts as the operating partner for the territory covering the Americas (principally the U.S., Canada, Puerto Rico, and Latin American countries) and Australia and owns the majority financial controlling interest in this territory. As such, the Company consolidates all country partnership results for this territory and records Sanofi's share of the results as a minority interest expense, net of taxes, which was $52 million and $28 million for the three months ended June 30, 2002, and 2001, respectively, and $117 million and $68 million for the six months ended June 30, 2002 and 2001, respectively. For the three months ended June 30, 2002 and 2001, the Company recorded sales in this territory and in comarketing countries of $576 million and $339 million, respectively, and $1,176 million and $706 million for the six months ended June 30, 2002 and 2001, respectively.

Sanofi acts as the operating partner for the territory covering Europe and Asia and owns the majority controlling interest in this territory. The Company accounts for the investment in partnership entities in this territory under the equity method and records its share of the results as net income from unconsolidated affiliates (included in minority interest, net of taxes). The Company recorded its share of equity earnings in this territory of $19 million and $23 million for the three months ended June 30, 2002 and 2001, respectively, and $39 million and $35 million for the six months ended June 30, 2002 and 2001, respectively.

Note 5: Acquisitions, Divestitures and Discontinued Operations

DuPont Pharmaceuticals Acquisition

On October 1, 2001, the Company acquired the DuPont Pharmaceuticals business (DuPont) from E. I. du Pont de Nemours and Company for $7.8 billion in cash. The results of DuPont have been included in the consolidated financial statements from the date of acquisition. DuPont is primarily a domestic pharmaceutical and imaging product business focused on research and development. This acquisition was financed with proceeds from the issuance of $1.5 billion of commercial paper, the issuance of $5.0 billion of medium-term notes and internal cash flows. The purchase price allocation was initially prepared on a preliminary basis and a final adjustment to the purchase price has been recorded.

In connection with the acquisition, the Company incurred $575 million of restructuring liabilities as a result of severance and relocation of workforce, the elimination of duplicate facilities and contract terminations. Such costs were recognized by the Company as a liability assumed as of the acquisition date, resulting in additional goodwill. These liabilities consisted of $325 million of employee termination benefits for approximately 1,800 employees, $80 million related to the closure of facilities and $170 million for contract terminations. The $575 million originally recorded in accrued expenses was reduced to $458 million by December 31, 2001 and to $109 million by June 30, 2002. During the six month period ended June 30, 2002, the balance in this account was reduced by cash payments of $246 million and by an adjustment to reverse previously recorded liabilities of $103 million with a corresponding reduction in goodwill. This adjustment was primarily due to lower than expected separation costs, contract termination expenses and other facilities exit costs related to the acquisition.

The following unaudited pro forma financial information, on a continuing operations basis, presents results as if the acquisition had occurred at the beginning of the period presented:

	Restated Six Months Ended June 30, 2001
	(dollars in millions, except per share data)
Net Sales	$ 9,417
Net Earnings	2,098
Earnings Per Share Basic	1.08
Earnings Per Share Diluted	1.06

The pro forma results have been prepared for comparative purposes only and include sales and earnings of DuPont for the six months ended June 30, 2001 and certain adjustments such as additional amortization expense as a result of identifiable intangible assets arising from the acquisition and from increased interest expense on acquisition debt. The pro forma earnings exclude the in-process research and development charge related to the DuPont acquisition. The pro forma results are not necessarily indicative of the results of operations that actually would have resulted had the acquisition been in effect at the beginning of the period presented or of future results.

Divestitures

During the first quarter of 2002, the Company completed the sale of two branded products resulting in a pretax gain of $30 million. For the three and six months of 2001, the Company recorded a pretax gain of $67 million and $99 million, respectively, on the sale of ESTRACE* tablets and the Apothecon commodity business.

Discontinued Operations

Discontinued operations in the six months ended June 30, 2002 consist of an after-tax adjustment to increase the gain on sale of Clairol as a result of lower than expected post-closing costs.

Discontinued operations in the three and six months ended June 30, 2001 reflect the results of the Clairol and Zimmer businesses, which were divested in 2001.

Note 6: Restructuring and Other Items

In the second quarter of 2002, the Company recorded a pretax charge of $57 million (as restated) related to termination benefits for workforce reductions and downsizing and streamlining of worldwide operations. Of this charge, $30 million relates to employee termination benefits for approximately 540 employees. The remaining $27 million relates to asset write-downs for the closure of a manufacturing facility in Puerto Rico and other related expenses. Severance actions are a result of efforts to rationalize and consolidate manufacturing and downsize and

streamline operations. In addition, $2 million of inventory associated with the plans described above was included in cost of products sold. The $57 million charge was offset by an adjustment as restated to prior period restructuring liabilities of $47 million due to higher than anticipated proceeds from the sale of exited businesses and $8 million due to lower than expected separation payments.

The following table presents a detail of the charges by segment and type for the six months ended June 30, 2002. The Company expects to substantially complete these activities by mid 2003. The Company does not allocate restructuring charges to its business segments.

	Employees	Restated Termination Benefits	Restated Asset Write Downs	Restated Total
		(dollars in millions)		
Pharmaceuticals	401	$ 21	$ 19	$ 40
Nutritionals	92	5		5
Other Healthcare	22	2	5	7
Corporate	25	2	3	5
Subtotal	540	$ 30	$ 27	$ 57
Reduction of reserves for changes in estimate				(56)
Restructuring and other as reflected in the statement of earnings				$ 1

Restructuring charges and spending against accrued liabilities associated with prior and current actions are as follows:

	Restated Employee Termination Liability	Restated Other Exit Cost Liability	Restated Total
	(dollars in millions)		
Balance at December 31, 2000	$ 220	$ 8	$ 228
Charges	229	160	389
Spending	(122)	(130)	(252)
Changes in estimate	(84)	3	(81)
Balance at December 31, 2001	243	41	284
Charges	30		30
Spending	(95)	(29)	(124)
Changes in estimate	(9)		(9)
Balance at June 30, 2002	$ 169	$ 12	$ 181

As part of the restructuring activities, the Company identified approximately $69 million of research and development assets which will be abandoned by December 31, 2002. These assets will be depreciated through the date that they cease to be used. This depreciation expense will be recorded through research and development expense, consistent with its historical classification.

Note 7: Business Segments

Effective in the first quarter of 2002, the Company reorganized into three groups in support of being a pharmaceutical company with related healthcare businesses. As a result of this reorganization, the Company has three reportable segments Pharmaceuticals, Nutritionals, and Other Healthcare. The Pharmaceuticals Segment is comprised of the global pharmaceutical and international (excluding Japan)

consumer medicines businesses. The Nutritionals Segment consists of Mead Johnson Nutritionals, primarily an infant formula business. The Other Healthcare Segment consists of the ConvaTec, Medical Imaging, and Consumer Medicines (U.S. and Japan) businesses.

The data for 2001 has been presented to conform to the new segment organization:

	Three Months Ended June 30,				Six Months Ended June 30,			
	Net Sales		Earnings from Continuing Operations Before Minority Interest and Income Taxes		Net Sales		Earnings from Continuing Operations Before Minority Interest and Income Taxes	
	Restated 2002	Restated 2001	Restated 2002	Restated 2001	Restated 2002	Restated 2001	Restated 2002	Restated 2001
	(dollars in millions)							
Pharmaceuticals	$ 3,274	$ 3,571	$ 468	$ 873	$ 7,122	$ 7,412	$ 1,414	$ 2,122
Nutritionals	471	425	124	80	920	907	249	231
Other Healthcare	382	290	95	60	746	556	183	104
Total Segments	4,127	4,286	687	1,013	8,788	8,875	1,846	2,457
Corporate/Other			37	253			106	439
Continuing Operations	$ 4,127	$ 4,286	$ 724	$ 1,266	$ 8,788	$ 8,875	$ 1,952	$ 2,896

Included in earnings from continuing operations before minority interest and income taxes of each business segment is a cost of capital charge. The elimination of the cost of capital charge is included in Corporate/Other. Corporate/Other principally consists of interest expense, interest income, certain administrative expenses and allocations to the segments. In the six months ended June 30, 2002, Pharmaceuticals and Corporate/Other include the following items: Pharmaceuticals a $160 million in-process research and development charge related to payments under the revised agreement with ImClone; Corporate/Other a $90 million accrual for BUSPAR litigation and a $30 million gain on the sale of two branded products. For the three and six months of 2001, Corporate/Other includes a gain of $67 million and $99 million, respectively, on the sale of ESTRACE* tablets and the Apothecon commodity business.

Note 8: Other (Income)/Expense

The components of other (income)/expense are:

	Three Months Ended June 30,		Six Months Ended June 30,	
	Restated 2002	Restated 2001	Restated 2002	Restated 2001
	(dollars in millions)			
Interest expense	$ 102	$ 23	$ 200	$ 49

	Three Months Ended June 30,		Six Months Ended June 30,	
Interest income	(18)	(32)	(41)	(76)
Foreign exchange transaction (gains)/losses	8	(3)	11	7
Other, net	34	6	(5)	(11)
Other (Income) / Expense, net	$ 126	$ (6)	$ 165	$ (31)

Interest expense in 2002 is primarily related to the $5.0 billion debt issuance in conjunction with the DuPont and ImClone transactions.

Note 9: Litigation Matters

Various lawsuits, claims and proceedings are pending against the Company and certain of its subsidiaries. In accordance with SFAS No. 5, *Accounting for Contingencies*, the Company records accruals for such contingencies when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. In the six months ended June 30, 2002, the Company recognized $90 million related to litigation matters. The most significant of the Company's litigation matters are described below.

TAXOL® LITIGATION

In 1997 and 1998, the Company filed several lawsuits asserting that a number of generic drug companies infringed its patents covering methods of administering paclitaxel when they filed Abbreviated New Drug Applications seeking regulatory approval to sell paclitaxel. These actions were consolidated for discovery in the U.S. District Court for the District of New Jersey (District Court). The Company did not assert a monetary claim against any of the defendants, but sought to prevent the defendants from marketing paclitaxel in a manner that violates its patents. The defendants asserted that they did not infringe the Company's patents and that these patents are invalid and unenforceable.

In early 2000, the District Court invalidated most claims of the Company's patents at issue. On April 20, 2001, the U.S. Court of Appeals for the Federal Circuit affirmed the District Court's summary judgment of the invalidity of all but two claims of the patents at issue. Those two claims relate to the low-dose, three-hour administration of paclitaxel in which the patient is given a specified regimen of premedicants before the administration of paclitaxel. The appellate court remanded those two claims to the District Court for further proceedings. In 2001, the Company filed an additional patent infringement suit against another company seeking to market generic paclitaxel.

In September 2000, one of the defendants received final approval from the FDA for its Abbreviated New Drug Application for paclitaxel and is marketing the product. The FDA has since announced additional final approvals and sales of additional generic products have begun.

Some of the defendants asserted counterclaims seeking damages for alleged antitrust and unfair competition violations. The Company believed its patents were valid when it filed the suits, and the counterclaims asserted are believed to be without merit. The lawsuits with all defendants who asserted counterclaims have been settled, with the defendants agreeing to drop all claims relating to paclitaxel and the Company granting licenses to them under certain paclitaxel patent rights.

Since the filing of the initial patent infringement suits, six private actions have been filed by parties alleging antitrust, consumer protection and similar claims relating to the Company's actions to obtain and enforce patent rights. The plaintiffs seek declaratory judgment, damages (including treble and/or punitive damages where allowed), disgorgement and injunctive relief. In June 2002, a group of 32 state attorneys general, the District of Columbia, Puerto Rico and the Virgin Islands brought similar claims. In September 2000, the Federal Trade Commission (FTC) initiated an investigation relating to paclitaxel.

On January 7, 2003, the Company announced that it reached agreements in principle that would settle substantially all antitrust litigation surrounding TAXOL®. The amount of the TAXOL® antitrust settlements is expected to be $135 million, the full amount of which was accrued in the third quarter of 2002. Certain important terms and conditions of the settlements remain to be finalized, and certain settlements require court approval. Final approval by the state attorneys general in the TAXOL® litigation is contingent upon further agreements relating to the terms of injunctive relief. Among the provisions remaining to be negotiated are the terms for incorporating certain claimants, including a number of health

insurers, into the existing settlement framework. The Company is in discussions with a number of insurers. Whether they will ultimately join the proposed settlement cannot be predicted with certainty at this time.

The Company has also reached agreement with the FTC staff on the terms of a consent order that would resolve the FTC's investigation. The proposed consent order is subject to review and approval by the FTC commissioners.

Other than with respect to the abovementioned proposed settlements, it is not possible at this time reasonably to assess the final outcome of these lawsuits or reasonably to estimate the possible loss or range of loss with respect to these lawsuits. If the proposed settlements do not become final or do not resolve all TAXOL®-related antitrust, consumer protection and similar claims, and if the Company were not to prevail in final, non-appealable determinations of ensuing litigation, the impact could be material.

BUSPAR LITIGATION

On November 21, 2000, the Company obtained a patent, U.S. Patent No. 6,150,365 ('365 patent), relating to a method of using BUSPAR or buspirone. The Company timely submitted information relating to the '365 patent to the FDA for listing in an FDA publication commonly known as the "Orange Book," and the FDA thereafter listed the patent in the Orange Book.

Delisting and Patent Suits. Generic-drug manufacturers sued the FDA and the Company to compel the delisting of the '365 patent from the Orange Book. Although one district court declined to order the delisting of the '365 patent, another ordered the Company to cause the delisting of the patent from the Orange Book. The Company complied with the court's order but appealed the decision to the United States Court of Appeals for the Federal Circuit. The appellate court reversed the district court that ordered the delisting. Concurrently, the Company sought to enforce the '365 patent in actions against two generic drug manufacturers.

Antitrust Suits. Following the delisting of the '365 patent from the Orange Book, a number of purchasers of buspirone and several generic drug makers filed lawsuits against the Company alleging that it improperly triggered statutory marketing exclusivity. The plaintiffs claimed that this was a violation of antitrust, consumer protection and other similar laws. The attorneys general of 36 states and Puerto Rico also filed suit against the Company with parallel allegations. The plaintiffs have amended their allegations to include charges that a 1994 agreement between the Company and a generic company improperly blocked the entry of generic buspirone into the market. Plaintiffs seek declaratory judgment, damages (including treble and/or punitive damages where allowed), disgorgement and injunctive relief.

Multidistrict Litigation (MDL) Proceedings. The Judicial Panel on MDL granted the Company's motions to have all of the patent and antitrust cases consolidated in a single forum. The court before which the buspirone litigations are now pending issued two opinions dated February 14, 2002. In the first opinion, the court found that the '365 patent does not cover uses of buspirone and therefore is not infringed. In the second opinion, the court denied the Company's motion to dismiss the federal antitrust and various state law claims. The second opinion allows the claims against the Company to proceed, except as to federal antitrust claims for damages accrued more than four years before the filing of the complaints.

Government Investigations. The FTC and a number of state attorneys general initiated investigations concerning the matters alleged in the antitrust suits and discussed above. The Company cooperated in these investigations. A number of attorneys general, but not all of them, filed an action against the Company, as noted above.

Proposed Settlements. On January 7, 2003, the Company announced that it reached agreements in principle that would settle substantially all antitrust litigation surrounding BUSPAR. The amount of the BUSPAR settlements is expected to be $535 million, of which $35 million was accrued in the fourth quarter of 2001, $90 million was accrued in the first quarter of 2002 and $410 million was accrued in the third quarter of 2002. Written settlement agreements with a number of parties have now been signed. Certain of these settlements require court approval. A number of health insurers have not agreed to the proposed settlement framework. Whether these cases will ultimately be settled cannot be predicted with certainty at this time.

The Company has also reached agreement with the FTC staff on the terms of a consent order that would resolve the FTC's investigation. The proposed consent order is subject to review and approval by the FTC commissioners.

Other than with respect to the abovementioned proposed settlements of BUSPAR antitrust litigation, it is not possible at this time reasonably to assess the final outcome of these lawsuits or reasonably to estimate the possible loss or range of loss with respect to these lawsuits. If the proposed settlements do not become final or do not resolve all BUSPAR-related antitrust, consumer protection and similar claims, and if the Company were not to prevail in final, non-appealable determinations of ensuing litigation, the impact could be material.

VANLEV LITIGATION

In April, May and June 2000, the Company, its former chairman of the board and chief executive officer, Charles A. Heimbold, Jr., and its former chief scientific officer, Peter S. Ringrose, Ph.D., were named as defendants in a number of class action lawsuits alleging violations of federal securities laws and regulations. These actions have been consolidated into one action in the U.S. District Court for the District of New Jersey. The plaintiff claims that the defendants disseminated materially false and misleading statements and failed to disclose material information concerning the safety, efficacy and commercial viability of its product VANLEV during the period November 8, 1999 through April 19, 2000.

In May 2002, the plaintiff submitted an amended complaint adding allegations that the Company, its present chairman of the board and chief executive officer, Peter R. Dolan, its former chairman of the board and chief executive officer, Charles A. Heimbold, Jr., and its former chief scientific officer, Peter S. Ringrose, Ph.D., disseminated materially false and misleading statements and/or failed to disclose material information concerning the safety, efficacy, and commercial viability of VANLEV during the period April 19, 2000 through March 20, 2002. A number of related class actions, making essentially the same allegations, were also filed in the U.S. District Court for the Southern District of New York. These actions have been transferred to the U.S. District Court for the District of New Jersey. The plaintiff purports to seek compensatory damages, costs and expenses on behalf of shareholders.

It is not possible at this time reasonably to assess the final outcome of this litigation or reasonably to estimate the possible loss or range of loss with respect to this litigation. If the Company were not to prevail in final, non-appealable determinations of this litigation, the impact could be material.

PLAVIX LITIGATION*

The Company is part owner of an entity that is a plaintiff in two pending patent infringement lawsuits in the United States District Court for the Southern District of New York, entitled Sanofi-Synthelabo,

Sanofi-Synthelabo Inc., and Bristol-Myers Squibb Sanofi Pharmaceuticals Holding Partnership v. Apotex Inc. and Apotex Corp., 02-CV-2255 (RWS) and Sanofi-Synthelabo, Sanofi-Synthelabo Inc. and Bristol-Myers Squibb Sanofi Pharmaceuticals Holding Partnership v. Dr. Reddy's Laboratories, LTD, and Dr. Reddy's Laboratories, Inc., 02-CV-3672 (RWS). The suits are based on U.S. Patent No. 4,847,265, which discloses and claims, among other things, the hydrogen sulfate salt of clopidogrel, which is marketed as PLAVIX*, and on U.S. Patent No. 5,576,328, which discloses and claims, among other things, the use of clopidogrel to prevent a secondary ischemic event. Plaintiffs' infringement position is based on defendants' filing of their Abbreviated New Drug Applications with the FDA, seeking approval to sell generic clopidogrel prior to the expiration of the patents in suit.

It is not possible at this time reasonably to assess the final outcome of these lawsuits or reasonably to estimate the potential loss or range of loss with respect to these lawsuits. If patent protection for PLAVIX* were lost, the impact on the Company's operations could be material.

OTHER SECURITIES MATTERS

During the period March through May 2002, the Company and a number of its current and former officers were named as defendants in a number of securities class action lawsuits alleging violations of federal securities laws and regulations. The plaintiffs variously alleged that the defendants disseminated materially false and misleading statements and failed to disclose material information concerning three different matters: (1) safety, efficacy and commercial viability of VANLEV (as discussed above), (2) the Company's sales incentives to certain wholesalers and the inventory levels of those wholesalers, and (3) the Company's investment in and relations with ImClone, and ImClone's product, ERBITUX*. As discussed above, the allegations concerning VANLEV have been transferred to the U.S. District Court for the District of New Jersey and consolidated with the action pending there. The remaining actions have been consolidated and are pending in the U.S. District Court for the Southern District of New York. The allegations of these remaining actions cover the period January 2001 through April 2002. The plaintiffs seek compensatory damages, costs and expenses.

In October 2002, a number of the Company's officers, directors and former directors were named as defendants in a shareholder derivative suit pending in the U.S. District Court for the Southern District of New York. The Company is a nominal defendant. The suit alleges, among other things, violations of the federal securities laws and breaches of contract and fiduciary duty in connection with the Company's sales incentives to certain wholesalers, the inventory levels of those wholesalers and its investment in ImClone and ImClone's product, ERBITUX*. Two similar actions are pending in New York State court. Plaintiffs seek damages, costs and attorneys' fees.

In April 2002, the SEC initiated an inquiry into the wholesaler inventory issues referenced above, which became a formal investigation in August 2002. In December 2002, that investigation was expanded to include certain accounting issues, including issues related to the establishment of reserves, and accounting for certain asset and other sales. In October 2002, the United States Attorney's Office for the District of New Jersey announced an investigation into the wholesaler inventory issues referenced above, which has since expanded to cover the same subject matter as the SEC investigation. The Company is cooperating with both of these investigations. The Company's own investigation is also continuing.

It is not possible at this time reasonably to assess the final outcome of these litigations and investigations or reasonably to estimate the possible loss or range of loss with respect to these litigations and investigations. The Company is producing documents and actively cooperating with these

investigations, which investigations could result in the assertion of criminal and/or civil claims. If the Company were not to prevail in final, non-appealable determinations of these litigations and investigations, the impact could be material.

ERISA LITIGATION

In December 2002 and in the first quarter of 2003, the Company and others were named as defendants in a number of class actions brought under the federal Employee Retirement Income Security Act (ERISA). The cases are pending in the U.S. District Courts for the Southern District of New York and the District of New Jersey. Plaintiffs allege that defendants breached various fiduciary duties imposed by ERISA and owed to participants in the Bristol-Myers Squibb Company Savings and Investment Program (Program), including a duty to disseminate material information concerning: (1) safety data of the Company's product VANLEV, (2) the Company's sales incentives to certain wholesalers and the inventory levels of those wholesalers, and (3) the Company's investment in and relations with ImClone, and ImClone's product, ERBITUX*. In connection with the above allegations, plaintiffs further assert that defendants breached fiduciary duties to diversify Program assets, to monitor investment alternatives, to avoid conflicts of interest, and to remedy alleged fiduciary breaches by co-fiduciaries. In the case pending in the District of New Jersey, plaintiffs additionally allege violation by defendants of a duty to disseminate material information concerning alleged anti-competitive activities related to the Company's products BUSPAR, TAXOL®, and PRAVACHOL. Plaintiffs seek to recover losses caused by defendants' alleged violations of ERISA and attorneys' fees.

It is not possible at this time reasonably to assess the final outcome of these matters or reasonably to estimate the possible loss or range of loss with respect to these lawsuits. If the Company were not to prevail in final, non-appealable determinations of these matters, the impact could be material.

AVERAGE WHOLESALE PRICING LITIGATION

The Company, together with a number of other pharmaceutical manufacturers, is a defendant in a series of state and federal actions by private plaintiffs, brought as purported class actions, and complaints filed by the attorneys general of two states and one county, alleging that the manufacturers' reporting of prices for certain products has resulted in a false and overstated Average Wholesale Price (AWP), which in turn improperly inflated the reimbursement paid by Medicare beneficiaries, insurers, state Medicaid programs, medical plans, and others to health care providers who prescribed and administered those products. The federal cases (and many of the state cases, including the attorney general cases, which have been removed to federal courts) have been consolidated for pre-trial purposes and transferred to the United States District Court for the District of Massachusetts, In re Pharmaceutical Industry Average Wholesale Price Litigation (AWP MultiDistrict Litigation). On September 6, 2002, several of the private plaintiffs in the AWP MultiDistrict Litigation filed a Master Consolidated Complaint (Master Complaint), which superseded the complaints in their pre-consolidated constituent cases. The Master Complaint asserts claims under the federal RICO statute and state consumer protection and fair trade statutes. The Company and the other defendants moved to dismiss the Master Complaint, and motions were heard on January 13, 2003. The Nevada and Montana Attorneys General have moved to have their respective cases remanded to state court and argument on the motion was held on March 7, 2003. The Company is also a defendant in related state court proceedings in New York, New Jersey, California, Arizona and Tennessee, and in one federal court proceeding in New York commenced by the County of Suffolk. The New York and New Jersey state court proceedings are currently stayed. The Company, and the other defendants, have

removed, or intend to remove, the other state court cases to federal court and will seek to have them transferred to the AWP MultiDistrict Litigation. The Company anticipates that the County of Suffolk case will also be transferred there. Plaintiffs seek damages as well as injunctive relief aimed at manufacturer price reporting practices. These cases are at a very preliminary stage, and the Company is unable to assess the outcome and any possible effect on its business and profitability, or reasonably to estimate possible loss or range of loss with respect to these cases.

The Company, together with a number of other pharmaceutical manufacturers, also has received subpoenas and other document requests from various government agencies seeking records relating to its pricing and marketing practices for drugs covered by Medicare and/or Medicaid. The requests for records have come from the United States Attorney's Office for the District of Massachusetts, the Office of the Inspector General of the Department of Health and Human Services in conjunction with the Civil Division of the Department of Justice, and several states.

The Company is producing documents and actively cooperating with these investigations, which could result in the assertion of criminal and/or civil claims. The Company is unable to assess the outcome of, or to reasonably estimate the possible loss or range of loss with respect to, these investigations, which could include the imposition of fines, penalties and administrative remedies.

BREAST IMPLANT LITIGATION

The Company, together with its subsidiary Medical Engineering Corporation (MEC) and certain other companies, remains a defendant in a number of claims and lawsuits alleging damages for personal injuries of various types resulting from polyurethane-covered breast implants and smooth-walled breast implants formerly manufactured by MEC or a related company. The vast majority of claims against the Company in direct lawsuits have been resolved through settlements or trial. Likewise, claims or potential claims against the Company registered in the nationwide class action settlement approved by the Federal District Court in Birmingham, Alabama (Revised Settlement), have been or will be resolved through the Revised Settlement. The Company has established accruals in respect of breast implant product liability litigation. The Company believes that any possible loss in addition to the amounts accrued will not be material.

Note 10: Tax Matters

Subsequent to June 30, 2002, in the three months ended September 30, 2002, the Company recognized an income tax benefit of $235 million due to the settlement of certain tax matters and the determination by the Company as to the expected settlement of ongoing tax litigation, each of which existed as of June 30, 2002 and December 31, 2001. In addition, during the nine months ended September 30, 2002, the Company established valuation allowances of $127 million related to certain state net deferred tax assets and $34 million related to certain state tax net operating loss carryforwards that it currently does not believe are more likely than not to be realized in the future.

In addition, subsequent to June 30, 2002, the Company reorganized the structure of its ownership of many of its non-U.S. subsidiaries. The principal purpose of the reorganization was to facilitate the Company's ability to efficiently deploy its financial resources outside of the U.S. The Company believes that the reorganization transactions were generally tax-free both inside and outside the U.S. It is possible, however, that taxing authorities in particular jurisdictions could assert tax liabilities arising from the reorganization transactions or the operations of the reorganized subsidiaries. It is not reasonably possible

to predict whether any taxing authority will assert such a tax liability or reasonably to estimate the possible loss or range of loss with respect to any such asserted tax liability. The Company would vigorously challenge any such assertion and believes that it would prevail, but there can be no assurance of such a result. If the Company were not to prevail in final, non-appealable determinations, it is possible that the impact could be material.

Note 11: Comprehensive Income (Loss)

	Foreign Currency Translation	Deferred Loss on Effective Hedges	Total Other Accumulated Comprehensive Loss

	(dollars in millions)		
Balance at December 31, 2001	$ (1,055)	$ (62)	$ (1,117)
Change in other comprehensive income	8	27	35
Balance at June 30, 2002	$ (1,047)	$ (35)	$ (1,082)

Report of Independent Accountants

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

We have reviewed the accompanying restated consolidated balance sheet of Bristol-Myers Squibb Company and its subsidiaries as of June 30, 2002, and the related restated consolidated statements of earnings, comprehensive income and retained earnings for each of the three- and six-month periods ended June 30, 2002 and 2001 and of cash flows for each of the six-month periods ended June 30, 2002 and 2001. These restated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As described in Note 2 to the accompanying restated consolidated financial statements, the Company has restated previously issued financial statements.

Based on our review, we are not aware of any material modifications that should be made to the accompanying restated consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited in accordance with auditing standards generally accepted in the United States of America, the restated consolidated balance sheet as of December 31, 2001, and the related restated consolidated statements of earnings, comprehensive income and retained earnings and of cash flows for the year then ended (not presented herein), and in our report dated March 18, 2003 included in the Company's amended 2001 Form 10-K/A, we expressed an unqualified opinion on those restated consolidated financial statements. In our opinion, the information set forth in the accompanying restated consolidated balance sheet as of December 31, 2001 is fairly stated in all material respects in relation to the restated consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
New York, New York
March 18, 2003

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

The Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in this Item 2 has been revised to reflect the restatement and certain events occurring subsequent to the filing of the original Form 10-Q, as well as to incorporate certain conforming changes.

Recent Developments

The Company experienced a substantial buildup of wholesaler inventories in its U.S. pharmaceuticals business over several years, primarily in 2000 and 2001. This buildup was primarily due to sales incentives offered by the Company to its wholesalers. These incentives were generally offered towards the end of a quarter in order to incentivize wholesalers to purchase products in an amount sufficient to meet the Company's quarterly sales projections established by the Company's senior management. In April 2002, the Company disclosed this substantial buildup, and developed and subsequently undertook a plan to work down in an orderly fashion these wholesaler inventory levels.

In late October 2002, based on further review and consideration of the previously disclosed buildup of wholesaler inventories in the Company's U.S. pharmaceuticals business and the incentives offered to certain wholesalers, and on advice from the Company's independent auditors, PricewaterhouseCoopers LLP, the Company determined that it was required to restate its sales and earnings to correct errors in the timing of revenue recognition for certain sales to certain U.S. pharmaceuticals wholesalers. Since that time, the Company undertook an analysis of its transactions and incentive practices with U.S. pharmaceuticals wholesalers. As a result of its analysis, the Company determined that certain of its sales to two of the largest wholesalers for the U.S. pharmaceuticals business should be accounted for under the consignment model rather than recognizing revenue for such transactions upon shipment, based in part on the relationship between the amount of incentives offered to these wholesalers and the amount of inventory held by these wholesalers. This determination involved evaluation of a variety of criteria and a number of complex accounting judgments.

Following its determination to restate its sales and earnings for the matters described above, the Company also determined that it would correct certain of its historical accounting policies to conform the accounting to U.S. generally accepted accounting principles (GAAP) and certain known errors made in the application of GAAP that were previously not recorded because in each such case the Company believed the amount of any such error was not material to the Company's consolidated financial statements. In addition, as part of the restatement process, the Company investigated its accounting practices in certain areas that involve significant judgments and determined to restate additional items with respect to which the Company concluded errors were made in the application of GAAP, including certain revisions of inappropriate accounting. For a description of each restatement adjustment and the impact of such adjustment on the Company's previously issued financial statements, see Note 2, Restatement of Previously Issued Financial Statements, to the accompanying restated consolidated financial statements and Amendment No. 1 to the Company's Annual Report on Form 10-K/A for the year ended December 31, 2001 (2001 Form 10-K/A), which was previously filed with the SEC.

Senior management set aggressive targets for each of the Company's businesses. The errors and inappropriate accounting which were corrected by the restatement arose, at least in part, from a period of unrealistic expectations for, and consequent over-estimation of the anticipated performance of, certain of the Company's products and programs.

As a result of the foregoing, the Company restated its financial statements for the three years ended December 31, 2001, including the corresponding 2001 and 2000 interim periods, and the quarterly periods ended March 31, 2002 and June 30, 2002. The restatement affected periods prior to 1999. The impact of the restatement on such prior periods was reflected as an adjustment to opening retained earnings as of January 1, 1999.

In connection with their audits of the restatement of previously issued annual financial statements and the Company's consolidated financial statements for the year ended December 31, 2002, the Company's independent auditors, PricewaterhouseCoopers LLP, identified and communicated to the Company and the Audit Committee two "material weaknesses" (as defined under standards established by the American Institute of Certified Public Accountants) relating to the Company's accounting and public financial reporting of significant matters and to its initial recording and management review and oversight of certain accounting matters.

In the last year, the Company searched for and hired a new chief financial officer from outside the Company, restaffed the controller position, created a position of chief compliance officer and changed leadership at the Pharmaceuticals group.

In response to the wholesaler inventory buildup and the other matters identified as restatement adjustments, under the direction of the Audit Committee, in the last year, senior management has directed that the Company dedicate resources and take steps to strengthen control processes and procedures in order to identify and rectify past accounting errors and prevent a recurrence of the circumstances that resulted in the need to restate prior period financial statements. The Company also revised its budgeting process to emphasize a bottom-up approach in contrast to a

top-down approach. The Company has implemented a review and certification process of its annual and quarterly reports under the Securities Exchange Act of 1934, as amended, as well as processes designed to enhance the monitoring of wholesaler inventories. In addition, the Company is in the process of expanding its business risks and disclosure group, which includes senior management, including the chief executive officer and the chief financial officer, and is taking a number of additional steps designed to create a more open environment for communications and flow of information throughout the Company. The Company continues to identify and implement actions to improve the effectiveness of its disclosure controls and procedures and internal controls, including plans to enhance its resources and training with respect to financial reporting and disclosure responsibilities, and to review such actions with its Audit Committee and independent auditors.

The Company's accounting for certain of its sales to two of the largest wholesalers for the U.S. pharmaceuticals business under the consignment model is discussed below under Three Months Results of Operations Pharmaceuticals and in the Company's 2001 Form 10-K/A.

Throughout the following Management's Discussion and Analysis of Financial Condition and Results of Operations, all referenced amounts reflect the balances and amounts on a restated basis.

Three Months Results of Operations

Worldwide sales on a restated basis for the second quarter of 2002 decreased 4% to $4,127 million from $4,286 million in 2001. This sales decline was not impacted on a net basis by a change in volume, and resulted from a 1% decrease due to foreign exchange rate fluctuations and a 3% decrease due to changes in selling prices. International sales increased 5%, including a 3% favorable impact from foreign exchange, and domestic sales decreased 9%. Sales for the quarter include $374 million of sales related to the acquisition of the DuPont Pharmaceuticals business (DuPont), which was completed on October 1, 2001. Approximately $187 million of sales (calculated net of customary 2% early pay cash discounts) recognized in the three months ended June 30, 2002 had been restated from prior periods.

Pharmaceuticals

A significant portion of the Company's U.S pharmaceuticals sales is made to wholesalers. The Company experienced a substantial buildup of wholesaler inventories in its U.S. pharmaceuticals business over several years, primarily in 2000 and 2001. This buildup was primarily due to sales incentives offered by the Company to its wholesalers, including discounts, buy-ins in anticipation of price increases, and extended payment terms to certain U.S. pharmaceuticals wholesalers. These incentives were generally offered towards the end of a quarter in order to incentivize wholesalers to purchase products in an amount

sufficient to meet the Company's quarterly sales projections established by the Company's senior management. The timing of the Company's recognition of revenue from its sales to wholesalers differs by wholesaler and by period.

Historically, the Company recognized revenue for sales upon shipment of product to its customers. Under GAAP, revenue is recognized when substantially all the risks and rewards of ownership have transferred. In the case of sales made to wholesalers (1) as a result of incentives, (2) in excess of the wholesaler's ordinary course of business inventory level, (3) at a time when there was an understanding, agreement, course of dealing or consistent business practice that the Company would extend incentives based on levels of excess inventory in connection with future purchases and (4) at a time when such incentives would cover substantially all, and vary directly with, the wholesaler's cost of carrying inventory in excess of the wholesaler's ordinary course of business inventory level, substantially all the risks and rewards of ownership do not transfer upon shipment and, accordingly, such sales should be accounted for using the consignment model. The determination of when, if at all, sales to a wholesaler meet the foregoing criteria involves evaluation of a variety of factors and a number of complex judgments.

Under the consignment model, the Company does not recognize revenue upon shipment of product. Rather, upon shipment of product the Company invoices the wholesaler, records deferred revenue at gross invoice sales price and classifies the inventory held by the wholesalers as consignment inventory at the Company's cost of such inventory. The Company recognizes revenue (net of discounts, rebates, estimated sales allowances and accruals for returns) when the consignment inventory is no longer subject to incentive arrangements but not later than when such inventory is sold through to the wholesalers' customers, on a first-in first-out (FIFO) basis. For additional discussion of the Company's revenue recognition policy, see Note 1, Accounting Policies, to the accompanying restated consolidated financial statements.

The Company restated its previously issued financial statements to correct the timing of revenue recognition for certain previously recognized U.S. pharmaceuticals sales to Cardinal Health, Inc. (Cardinal) and McKesson Corporation (McKesson), two of the largest wholesalers for the Company's U.S. pharmaceuticals business, that, based on the application of the criteria described above, were recorded in error at the time of shipment and should have been accounted for using the consignment model. The Company determined that shipments of product to Cardinal and shipments of product to McKesson met the consignment model criteria set forth above as of July 1, 1999 and July 1,

2000, respectively, and, in each case, continuing through the end of 2002 and for some period thereafter. Accordingly, the consignment model was required to be applied to such shipments. Prior to those respective periods, the Company recognized revenue with respect to sales to Cardinal and McKesson upon shipment of product. Although the Company generally views approximately one month of supply as a desirable level of wholesaler inventory on a going-forward basis and as a level of wholesaler inventory representative of an industry average, in applying the consignment model to sales to Cardinal and McKesson, the Company defined inventory in excess of the wholesaler's ordinary course of business inventory level as inventory above two weeks and three weeks of supply, respectively, based on the levels of inventory that Cardinal and McKesson required to be used as the basis for negotiation of incentives granted. For additional discussion of the application of the consignment model to sales to Cardinal and McKesson, see the Company's 2001 Form 10-K/A.

As a result of this restatement adjustment, net sales were reduced by $1,015 million, $475 million, and $409 million in 2001, 2000, and 1999, respectively, and increased by $321 million and $187 million in the three months ended March 31, 2002 and June 30, 2002, respectively. The corresponding effect on earnings from continuing operations before minority interest and income taxes was a reduction of $789 million, $399 million and $322 million in 2001, 2000, and 1999, respectively, and an increase of $244 million and $168 million in the three months ended March 31, 2002 and June 30, 2002, respectively.

Separately from the above discussion, in March 2001, the Company entered into a distribution agreement with McKesson for provision of warehousing and order fulfillment services for the Company's

Oncology Therapeutics Network (OTN), a specialty distributor of anti-cancer medicines and related products. Prior to the restatement, the Company recorded in error sales of the Company's product under this agreement upon shipment of product to McKesson. The Company restated its previously issued financial statements to account for these sales using the consignment model, as described more fully in the Company's 2001 Form 10-K/A. The resulting effect on net sales and earnings from continuing operations before minority interest and income taxes was a reduction of $81 million and $77 million, respectively, in 2001, and an increase of $25 million and $24 million, respectively, in the three months ended March 31, 2002 and no impact in the three months ended June 30, 2002.

At June 30, 2002, the Company's aggregate cost of the pharmaceutical products held by Cardinal and McKesson that were accounted for using the consignment model (and, accordingly, were reflected as consignment inventory on the Company's consolidated balance sheet) was approximately $152 million, of which approximately $2 million related to OTN. The deferred revenue, recorded at gross invoice sales price, related to the inventory of pharmaceutical products accounted for using the consignment model was approximately $1,476 million at June 30, 2002, of which approximately $56 million related to OTN. As a result of the restatement for the application of the consignment model, approximately $1,980 million of sales (calculated net of customary 2% early pay cash discount) had been reversed from the period 1999 through 2001, of which approximately $346 million was recognized in the three months ended March 31, 2002, approximately $187 million was recognized in the three months ended June 30, 2002, approximately $862 million was recognized in the six months ended December 31, 2002 and approximately $422 million is projected to be recognized in 2003, a significant portion of which is expected to be recognized in the first quarter of 2003. Sales to Cardinal and McKesson represent approximately 48% of U.S. pharmaceuticals net sales for the six months ended June 30, 2002, on a restated basis.

The Company has determined that, although sales incentives were offered to other wholesalers and there was a buildup of inventories at such wholesalers, the consignment model criteria discussed above were not met. Accordingly, the Company recognized revenue when the products were shipped to these wholesalers. The Company estimates that the inventory of pharmaceutical products held by these other U.S. pharmaceuticals wholesalers in excess of approximately one month of supply in the case of the Company's exclusive products, approximately one and a half months of supply in the case of PLAVIX* and AVAPRO*, which are marketed under the Company's alliance with Sanofi-Synthelabo, and approximately two months of supply in the case of the Company's non-exclusive products, was in the range of approximately $550 million to $750 million at December 31, 2001, approximately $625 million to $825 million at March 31, 2002 and approximately $150 million to $350 million at June 30, 2002.

The Company's estimates of inventories held by wholesalers are based on the projected prescription demand-based sales for its products, as well as the Company's analysis of third-party information, including information obtained from certain wholesalers with respect to their inventory levels and sell-through to customers and third-party market research data, and the Company's internal information. The Company's estimates are subject to inherent limitations of estimates that rely on third-party data, as certain third-party information was itself in the form of estimates, and reflect other limitations.

In April 2002, the Company disclosed the substantial buildup of wholesaler inventories in its U.S. pharmaceuticals business, and developed and subsequently undertook a plan to work down in an orderly fashion these wholesaler inventory levels. To facilitate an orderly workdown, the Company's plan included continuing to offer sales incentives, at reduced levels, to certain wholesalers. With respect to McKesson and Cardinal, the Company entered into agreements for an orderly workdown that provide for these wholesalers to make specified levels of purchases and for

the Company to offer specified levels of incentives through the workdown period.

The Company expects that the orderly workdown of inventories of its pharmaceutical products held by all U.S. pharmaceuticals wholesalers will be substantially completed at or before the end of 2003. The Company also expects that the consignment model criteria will no longer be met with respect to the

Company's U.S. pharmaceuticals sales to Cardinal and McKesson (other than the abovementioned sales related to OTN) at or before the end of 2003. At December 31, 2002, the Company's aggregate cost of pharmaceutical products held by Cardinal and McKesson that were accounted for using the consignment model (and, accordingly, were reflected as consignment inventory on the Company's consolidated balance sheet) was approximately $58 million. At December 31, 2002, the deferred revenue, recorded at gross invoice sales price, related to such inventory was approximately $470 million, including approximately $39 million related to OTN. The Company estimates, based on the data noted above, that the inventory of pharmaceutical products held by the other U.S. pharmaceuticals wholesalers in excess of or below approximately one month of supply in the case of the Company's exclusive products, approximately one and a half months of supply in the case of PLAVIX* and AVAPRO*, which are marketed under the Company's alliance with Sanofi-Synthelabo, and approximately two months of supply in the case of the company's non-exclusive products was in the range of approximately $100 million below this level of supply to $100 million in excess of this level of supply at December 31, 2002. This estimate is subject to inherent limitations noted above. The Company expects to account for certain pharmaceutical sales relating to OTN using the consignment model until the abovementioned agreement with McKesson expires in 2006.

The Company's financial results and prior period and quarterly comparisons are affected by the buildup and orderly workdown of wholesaler inventories, as well as the application of the consignment model to certain sales to certain wholesalers. In addition, with respect to sales not accounted for using the consignment model, the Company's financial results and prior period and quarterly comparisons are affected by fluctuations in the buying patterns of wholesalers, including the effect of incentives offered, and the corresponding changes in inventory levels maintained by these wholesalers. These wholesaler buying patterns and wholesaler inventory levels may not reflect underlying prescriber demand. For information on U.S. pharmaceuticals prescriber demand, reference is made to the table on page 39, which sets forth a comparison of changes in net sales on a restated basis to the estimated total (both retail and mail order customers) prescription growth for certain of the Company's primary care pharmaceutical products. The Company expects that when the consignment model is no longer being applied with respect to sales to Cardinal or McKesson, the buying patterns and fluctuations in inventory levels of these wholesalers will have an effect on the Company's financial results and prior period and quarterly comparisons.

Sales for the Pharmaceuticals segment on a restated basis in the three months ended June 30, 2002 decreased 8%, including a 1% unfavorable effect of foreign exchange, to $3,274 million from $3,571 million in 2001 due to a decrease in domestic sales. Domestic pharmaceutical sales on a restated basis decreased 16% to $1,953 million in 2002 from $2,326 million in 2001, primarily due to generic competition for GLUCOPHAGE*, TAXOL®, and BUSPAR. U.S. sales for these products were $54 million in the second quarter of 2002 as compared to $600 million in 2001. In addition, the decrease in 2002 domestic pharmaceutical sales was impacted by the buildup in the prior period of inventory levels at those U.S. wholesalers not accounted for under the consignment model and the subsequent workdown in 2002. Approximately $187 million of sales (calculated net of customary 2% early pay cash discounts) recognized in the three months ended June 30, 2002 had been reversed from prior periods.

International sales for the Pharmaceuticals segment on a restated basis increased 6% to $1,321 million in 2002, including a 2% unfavorable effect of foreign exchange, from $1,245 million in 2001. Sales in Europe increased 10% primarily due to strong sales of PRAVACHOL across the region and the addition of new products from the DuPont acquisition. Japan realized sales growth of 2%, including a 8% unfavorable effect of foreign exchange, led by growth in TAXOL® sales.

Sales of selected products in the second quarter of 2002 were as follows on a restated basis:

Worldwide sales of PRAVACHOL, the Company's cholesterol-lowering agent, increased 2% to $447 million in 2002. In July 2002, the Cardiovascular and Renal Drugs Advisory Committee of the U.S. Food and Drug Administration (FDA) issued a recommendation to the FDA in favor of the approval of PRAVACHOL plus aspirin New Drug Application.

Sales of PLAVIX*, a platelet aggregation inhibitor, increased 86% to $425 million in 2002 from $229 million in 2001. Sales of AVAPRO* increased 37% to $151 million. PLAVIX* and AVAPRO* are cardiovascular products launched from the alliance between the Company and Sanofi-Synthelabo.

Sales of SUSTIVA**,** an antiretroviral agent, and COUMADIN, an oral anti-coagulant, both acquired from DuPont on October 1, 2001, were $111 million and $75 million, respectively in 2002. COUMADIN's total U.S. prescriptions for the three months ended June 30, 2002 and 2001 declined 15% and 7% compared with the same period in 2001 and 2000, respectively.

Sales of ZERIT, an antiretroviral agent, were $106 million in 2002, a decrease of 22%.

Sales of VIDEX, an antiretroviral agent, were $52 million in 2002, a decrease of 21%.

Sales of GLUCOPHAGE* XR and GLUCOVANCE* were $79 million and $51 million in 2002, respectively, as compared to $62 million and $97 million in 2001.

The loss of exclusivity and the introduction of generic competition in the U.S. resulted in significant declines in sales of GLUCOPHAGE*, TAXOL® and BUSPAR. In 2002, sales of these products in the aggregate declined to $240 million from $780 million in 2001.

The following table sets forth a comparison of reported net sales changes and the estimated total (for retail and mail order customers) prescription growth for certain of the Company's U.S. primary care pharmaceutical products. The estimated prescription growth amounts are based on third-party data. A significant portion of the Company's domestic pharmaceutical sales is made to wholesalers. Where the change in reported net sales differs from prescription growth, this change in net sales may not reflect underlying prescriber demand.

	Three Months Ended June 30, 2002		Three Months Ended June 30, 2001	
	% Change in U.S. Net Sales (Restated)	% Change in Total U.S. Prescriptions	% Change in U.S. Net Sales (Restated)	% Change in Total U.S. Prescriptions
PRAVACHOL	(11)	10	(2)	4
GLUCOPHAGE*	(102)	(85)	(9)	(6)
PLAVIX*	90	36	(4)	33
AVAPRO*	42	14	11	21
MONOPRIL	(66)	(6)	9	(1)
SERZONE	(49)	(33)	(8)	(2)
CEFZIL	(67)	(11)	13	(13)
BUSPAR	(83)	(80)	(65)	(51)

Earnings before minority interest and income taxes for the Pharmaceuticals segment on a restated basis declined to $468 million in the second quarter of 2002 from $873 million in the same period in 2001. The decline in earnings before minority interest and income taxes is primarily the result of generic competition, the buildup in the prior period of inventory levels at those U.S. wholesalers not accounted for under the consignment model and the subsequent workdown in 2002, and higher cost of products sold due to higher sales of lower-margin OTN products.

Nutritionals

Sales for the Nutritionals segment on a restated basis were $471 million for the three months ended June 30, 2002, an increase of 11% from the prior year. Mead Johnson continues to be the leader in the U.S. infant formula market. ENFAMIL, the Company largest-selling infant formula, recorded sales of

$195 million, an increase of 17% from the prior year largely due to the introduction of ENFAMIL LIPIL in the first quarter of 2002.

Earnings before minority interest and income taxes for the Nutritionals segment on a restated basis increased to $124 million in 2002 from $80 million in 2001. This increase in earnings before minority interest and income taxes is driven by higher sales and manufacturing efficiencies.

Other Healthcare

The Other Healthcare segment is comprised of the ConvaTec, Medical Imaging and the Consumer Medicines (U.S. and Japan) businesses.

ConvaTec sales on a restated basis for the three months ended June 30, 2002 of $177 million remained consistent with prior year levels. Sales of ostomy products decreased 3% to $111 million, while sales of modern wound care products increased 7% to $64 million.

Medical Imaging sales on a restated basis for the three months ended June 30, 2002 were $117 million. The Medical Imaging business was acquired as part of the DuPont acquisition, which was completed on October 1, 2001.

U.S./Japan Consumer Medicines sales on a restated basis for the three months ended June 30, 2002 decreased 21% to $88 million, primarily due to lower sales of EXCEDRIN in the U.S. and of BUFFERIN in Japan.

Earnings before minority interest and income taxes for the Other Healthcare segment on a restated basis increased to $95 million in 2002 from $60 million in 2001 primarily as a result of the addition of the Medical Imaging business from the DuPont acquisition.

Total expenses on a restated basis for the three months ended June 30, 2002, as a percentage of sales, increased to 82.5% from 70.5% in 2001, largely due to the increase in cost of products sold.

Cost of products sold on a restated basis, as a percentage of sales, increased to 35.5% from 29.5% in 2001. This increase is primarily due to higher cost of goods sold in the U.S. as a result of increased sales from the OTN business and a decline in GLUCOPHAGE*, TAXOL® and BUSPAR sales due to generic competition.

Marketing, selling, and administrative expenses on a restated basis decreased 2% from $961 million in 2001 to $937 million in 2002. As a percentage of sales, marketing, selling and administrative expenses increased to 22.7% in the second quarter of 2002 from 22.4% in 2001 due to lower sales in 2002.

Expenditures for advertising and promotion on a restated basis declined 12% to $345 million in 2002 from $392 million in 2001, primarily as a result of reduced direct-to-consumer spending. As a percentage of sales, advertising and promotion expenditures decreased to 8.4% in the second quarter of 2002 from 9.1% in 2001.

Research and development expenditures on a restated basis increased 9% to $527 million in 2002 from $483 million in 2001. Pharmaceutical research and development spending increased 7% over the prior year and, as a percentage of pharmaceutical sales, was 15.4% in the second quarter of 2002 compared to 13.2% in the second quarter of 2001.

Other (income)/expense, net on a restated basis was $126 million of expense in the second quarter of 2002 compared with $6 million of income in the same period of 2001. The decrease was primarily due to the increase in interest expense as a result of the issuance of $5 billion of debt in September 2001.

The effective income tax rate on earnings from continuing operations before minority interest and income taxes on a restated basis was 28.9% compared with 24.2% in 2001.

In May 2002, the Company announced the submission of a Marketing Authorization Application to the European Medicines Evaluation Agency for atazanavir, a novel protease inhibitor under investigation for the treatment of HIV/AIDS.

In July 2002, the FDA Cardiovascular and Renal Drugs Advisory Committee recommended against the approval of the Company's New Drug Application (NDA) for VANLEV (omipatrilat) for the treatment of hypertension. The FDA Advisory Committee recommendation is not binding. However, the FDA usually follows the guidance of the Advisory Committee.

Development of a lead candidate compound in the Company's superstatin program has been terminated. The Company will continue, however, with back-up compounds moving forward in preclinical research.

Six Months Results of Operations

Worldwide sales for the first six months of 2002 on a restated basis decreased 1% to $8,788 million from $8,875 million in 2001. Volume increases favorably affected sales by 2%, while foreign exchange rate fluctuations and changes in selling prices negatively impacted sales by 1% and 2%, respectively. International sales increased 7% and domestic sales decreased 5%. Sales for the first six months of 2002 include $778 million of sales related to the DuPont acquisition, which was completed on October 1, 2001.

Pharmaceuticals

Sales for the Pharmaceuticals segment on a restated basis decreased 4% to $7,122 million from $7,412 million in 2001 due to a decrease in domestic sales. Domestic pharmaceutical sales decreased 10% to $4,514 million in 2002 from $5,018 million in 2001, primarily due to generic competition for GLUCOPHAGE*, TAXOL®, and BUSPAR. U.S. sales for these products were $279 million in 2002 compared to $1,463 million in 2001. In addition, the decrease in domestic pharmaceutical sales in 2002 was impacted by the buildup in the prior period of inventory levels at those U.S. wholesalers not accounted for under the consignment model and the subsequent workdown in 2002. Approximately $533 million of sales (calculated net of customary 2% early pay cash discounts) recognized in the six months ended June 30, 2002 had been reversed from prior periods.

International sales for the Pharmaceuticals segment on a restated basis increased 9% to $2,608 in 2002, including a 4% unfavorable impact from foreign exchange, from $2,394 million in 2001. Sales in Europe increased 15%, including a 2% unfavorable impact from foreign exchange, primarily due to strong sales of PRAVACHOL across the region and the addition of new products from the DuPont acquisition. Japan realized sales growth of 2%, including a 10% unfavorable impact from foreign exchange, led by growth in TAXOL® sales.

Sales of selected products for the six months ended June 30, 2002 were as follows on a restated basis:

Worldwide sales of PRAVACHOL, the Company's cholesterol-lowering agent, increased 5% to $990 million.

Sales of PLAVIX* increased 82% to $886 million from $487 million in 2001. Sales of AVAPRO* increased 32% to $290 million.

Sales of SUSTIVA and COUMADIN, products acquired from DuPont, were $238 million and $155 million, respectively. COUMADIN's total U.S. prescriptions for the six months ended June 30, 2002 and 2001 declined 16% and 5% compared with the same period in 2001 and 2000, respectively.

Sales of OTN were $873 million, an increase of 29% over the prior year.

The following table sets forth a comparison of reported net sales changes and the estimated total (for retail and mail order customers) prescription growth for certain of the Company's U.S. primary care

pharmaceutical products. The estimated prescription growth amounts are based on third-party data. A significant portion of the Company's domestic pharmaceutical sales is made to wholesalers. Where the change in reported net sales differs from prescription growth, this change in net sales may not reflect underlying prescriber demand.

	Six Months Ended June 30, 2002		Six Months Ended June 30, 2001	
	% Change in U.S. Net Sales (Restated)	% Change in Total U.S. Prescriptions	% Change in U.S. Net Sales (Restated)	% Change in Total U.S. Prescriptions
PRAVACHOL	(3)	10	5	5
GLUCOPHAGE*	(85)	(68)	5	1
PLAVIX*	84	37	13	31
AVAPRO*	32	12	20	25
MONOPRIL	(4)	(6)	9	1
SERZONE	(18)	(26)	8	
CEFZIL	(26)	(15)	1	(6)
BUSPAR	(89)	(84)	(31)	(27)

Earnings before minority interest and income taxes for the Pharmaceuticals segment on a restated basis declined to $1,414 million from $2,122 million in 2001. The decline in earnings before minority interest and income taxes is primarily the result of generic competition, the buildup in the prior period of inventory levels at those U.S. wholesalers not accounted for under the consignment model and the subsequent workdown in 2002 and higher cost of product sold due to higher sales of lower-margin OTN products.

Nutritionals

Sales for the Nutritionals segment on a restated basis were $920 million for the six months ended June 30, 2002, an increase of 1% from the prior year. Mead Johnson continues to be the leader in the U.S. infant formula market. ENFAMIL, the Company's largest-selling infant formula, recorded sales of $375 million, an increase of 1% from the prior year.

Earnings before minority interest and income taxes for the Nutritionals segment increased to $249 million in 2002 from $231 million in 2001. This increase in earnings before minority interest and income taxes is primarily due to a favorable sales mix and manufacturing efficiencies.

Other Healthcare

The Other Healthcare segment is comprised of the ConvaTec, Medical Imaging and the Consumer Medicines (U.S. and Japan) businesses.

ConvaTec sales on a restated basis for the six months ended June 30, 2002 increased 2% to $352 million, including a 2% unfavorable impact from foreign exchange for sales in total and for each product category. Sales of ostomy products increased 1% to $219 million, while sales of modern wound care products increased 8% to $129 million.

Medical Imaging sales on a restated basis for the six months ended June 30, 2002 were $222 million, driven by CARDIOLITE sales of $142 million. The Medical Imaging business was acquired as part of the DuPont acquisition, which was completed on October 1, 2001

U.S./Japan Consumer Medicines sales on a restated basis for the six months ended June 30, 2002 decreased 18%, including a 2% unfavorable impact from foreign exchange, to $172 million, primarily due to lower sales of EXCEDRIN in the U.S.

Earnings before minority interest and income taxes on a restated basis for the Other Healthcare segment increased to $183 million in 2002 from $104 million in 2001 primarily as a result of the addition of the Medical Imaging business from the DuPont acquisition and strong growth in the ConvaTec business.

Total expenses on a restated basis for the six months ended June 30, 2002, as a percentage of sales, increased to 77.8% from 67.4% in 2001, primarily due to the increase in cost of products sold. During the first six months of 2002, the Company recorded several significant items that affected the comparability of the results of the periods presented herein:

	Six Months Ended June 30,	
	Restated 2002	Restated 2001
	(dollars in millions)	
Litigation settlement charge	$ 90	$
Gain on sales of businesses/product lines	(30)	(99)
Acquired in-process research and development	160	3
	220	(96)
Income taxes on items	(83)	36
	$ 137	$ (60)

For additional information, see Note 4, Alliances and Investments, Note 5, Acquisitions, Divestitures and Discontinued Operations, Note 6, Restructuring and Other Items, and Note 9, Litigation Matters, to the restated consolidated financial statements included in this Form 10-Q/A.

Cost of products sold on a restated basis, as a percentage of sales, increased to 33.8% from 28.5% in 2001. This increase is primarily due to higher cost of goods sold in the U.S. as a result of increased sales from OTN and a decline in GLUCOPHAGE*, TAXOL® and BUSPAR sales due to generic competition.

Marketing, selling, and administrative expenses on a restated basis decreased 1% from $1,874 million in 2001 to $1,849 million in 2002. As a percentage of sales, marketing, selling and administrative expenses decreased to 21.0% in 2002 from 21.1% in 2001.

Expenditures for advertising and promotion on a restated basis declined 17% to $604 million in 2002 from $731 million in 2001, primarily as a result of reduced direct-to-consumer spending. As a percentage of sales, advertising and promotion expenditures decreased to 6.9% in 2002 from 8.2% in 2001.

Research and development expenditures on a restated basis increased 5% to $1,029 million in 2002 from $981 million in 2001. Pharmaceutical research and development spending increased 3% over the prior year, and as a percentage of pharmaceutical sales, was 13.8% for the six months ended June 30, 2002 compared with 12.9% in the same period in 2001.

Other (income)/expense, net on a restated basis was $165 million of expense in the first six months 2002 compared with $31 million of income in the same period of 2001. The expense in 2002 is primarily due to interest expense related to the issuance of $5 billion of debt in September 2001. The income in 2001 is mainly comprised of interest income, net of interest expense.

The effective income tax rate on earnings from continuing operations before minority interest and income taxes on a restated basis was 27.8% in the six months ended June 30, 2002 compared with 23.9% in 2001.

Financial Position

The Company's balance sheet at June 30, 2002 and statement of cash flows for the six months then ended reflect its strong financial position. The Company continues to maintain a high level of working capital, which was $2.1 billion at June 30, 2002 on a restated basis, representing no change from December 31, 2001.

Short-term borrowings were $785 million at June 30, 2002 compared with $174 million at December 31, 2001, primarily as a result of the issuance of commercial paper.

Long-term debt decreased to $6.1 billion at June 30, 2002 from $6.2 billion at December 31, 2001. In 2002, the Company's long-term credit ratings, from both Moody's and Standard and Poor's credit rating agencies, were reduced from Aaa/AAA to Aa_2 and AA, respectively. In December 2002, Moody's placed the Company's long-term and short-term debt ratings under review for possible downgrade. Since then, the

Company has held discussions with Moody's and has provided additional information requested to facilitate their review. In March 2003, Moody's confirmed the Prime-1 short-term ratings for the Company. The Company's long-term ratings remain under review for a possible downgrade.

As a result of the Company's investment in manufacturing and research facilities, additions to property, plant and equipment for the six months ended June 30, 2002 increased to $477 million from $411 million for the same period of 2001.

Net cash used in operating activities on a restated basis was $680 million in 2002 as compared to net cash provided by operating activities of $2,383 million in 2001. The use of cash in 2002 is attributable to income tax outflows of $1,547 million, which is primarily related to taxes on the gain arising from the sale of the Clairol business. The additional decrease in cash from operating activities is mainly due to lower net earnings. Cash flows from operating and investing (primarily operating) activities of discontinued operations for the six months ended June 30, 2001 were $119 million.

During the six months ended June 30, 2002, the Company purchased 3.1 million shares of common stock at a total cost of $117 million. For the same period in 2001, the Company purchased 22 million shares of common stock at a total cost of $1,272 million.

For the three and six months ended June 30, 2002, dividends declared per common share were $.280 and $.56, respectively. For the three and six months ended June 30, 2001, dividends declared per common share were $.275 and $.55, respectively.

Retirement Benefits

The recent decline in the global equity markets has resulted in a decrease in the value of the assets in the Company's pension plans. This decline is expected to adversely affect the Company's related accounting results in future periods through higher pension expense and increased cash funding requirements. In 2002, the Company contributed to its defined benefit plans a total of $547 million, including a contribution of $325 million in the fourth quarter of 2002.

The Company reduced its assumed discount rate for its major pension plans in response to a decline in corporate bond yields. The Company also reduced its 2003 expected long-term rate of return on U.S. plans assets from 10% to 9% following a reassessment of the long-term outlook. The lower assumed discount rate and expected long-term rate of return on plan assets, combined with negative asset returns in 2001 and 2002, is currently estimated to increase the Company's annual pension expense in 2003 by approximately $120 million compared to 2002.

For additional discussion of the Company's retirement benefits, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, in the Company's Annual Report on Form 10-K for the year ended December 31, 2002 (2002 Form 10-K), which is being filed concurrently with this Form 10-Q/A.

Critical Accounting Policies

For a discussion of the Company's critical accounting policies, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, in the Company's 2002 Form 10-K, which is being filed concurrently with this Form 10-Q/A.

Cautionary Factors That May Affect Future Results

This quarterly report on Form 10-Q/A (including documents incorporated by reference) and other written and oral statements the Company makes from time to time contain certain "forward-looking"

statements within the meaning of Section 27A of Securities Act of 1933 and Section 21E of Securities Exchange Act of 1934. You can identify these forward-looking statements by the fact they use words such as "should", "expect", "anticipate", "estimate", "may", "will", "project", "guidance", "intend", "plan", "believe" and other words and terms of similar meaning and expression in connection with any discussion of future operating or financial performance. One can also identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. Such forward-looking statements are based on current expectations and involve inherent risks and uncertainties, including factors that could delay, divert or change any of them, and could cause actual outcomes to differ materially from current expectations. These statements are likely to relate to, among other things, the Company's goals, plans and projections regarding its financial position, results of operations, market position, product development, product approvals, sales efforts, expenses, performance or results of current and anticipated products and the outcome of contingencies such as legal proceedings, and financial results which are based on current expectations that involve inherent risks and uncertainties, including factors that could delay, divert or change any of them in the next several years.

Although it is not possible to predict or identify all factors, they may include the following:

New government laws and regulations, such as (i) health care reform initiatives in the United States at the state and federal level and in other countries; (ii) changes in the FDA and foreign regulatory approval processes that may cause delays in approving, or preventing the approval of, new products; (iii) tax changes such as the phasing out of tax benefits heretofore available in the United States and certain foreign countries; and (iv) new laws, regulations and judicial decisions affecting pricing or marketing.

Competitive factors, such as (i) new products developed by competitors that have lower prices or superior performance features or that are otherwise competitive with Bristol-Myers Squibb's current products; (ii) generic competition as the Company's products mature and patents expire on products; (iii) technological advances and patents attained by competitors; (iv) problems with licensors, suppliers and distributors; and (v) business combinations among the Company's competitors or major customers.

Difficulties and delays inherent in product development, manufacturing and sale, such as (i) products that may appear promising in development may fail to reach market for numerous reasons, including efficacy or safety concerns, the inability to obtain necessary regulatory approvals and the difficulty or excessive cost to manufacture; (ii) seizure or recall of products; (iii) the failure to obtain, the imposition of limitations on the use of, or loss of patent and other intellectual property rights; (iv) failure to comply with Current Good Manufacturing Practices and other application regulations and quality assurance guidelines that could lead to temporary manufacturing shutdowns, product shortages and delays in product manufacturing; and (v) other manufacturing or distribution problems.

Legal difficulties, any of which can preclude or delay commercialization of products or adversely affect profitability, including (i) intellectual property disputes; (ii) adverse decisions in litigation, including product liability and commercial cases; (iii) the inability to obtain adequate insurance with respect to this type of liability; (iv) recalls of pharmaceutical products or forced closings of manufacturing plants; (v) government investigations; (vi) claims asserting violations of securities, antitrust and other laws; (vii) environmental matters; and (viii) tax liabilities.

Increasing pricing pressures worldwide, including rules and practices of managed care groups and institutional and governmental purchasers, judicial decisions and governmental laws and regulations related to Medicare, Medicaid and healthcare reform, pharmaceutical reimbursement and pricing in general.

Fluctuations in buying patterns and inventory levels of major distributors, retail chains and other trade buyers which may result from seasonality, pricing, wholesaler buying decisions (including the

effect of incentives offered), the Company's wholesaler inventory management policies (including the workdown of wholesaler inventory levels) or other factors.

Greater than expected costs and other difficulties including unanticipated effects and difficulties of acquisitions, dispositions and other events, including obtaining regulatory approvals occurring in connection with evolving business strategies, legal defense costs, insurance expense, settlement costs and the risk of an adverse decision related to litigation.

Changes to advertising and promotional spending and other categories of spending that may affect sales.

Changes in the Company's structure resulting from acquisitions, divestitures, mergers, restructurings or other strategic initiatives.

Economic factors over which the Company has no control such as changes of business and economic conditions including, but not limited to, changes in interest rates and fluctuation of foreign currency exchange rates.

Changes in business, political and economic conditions due to the recent terrorist attacks in the U.S., the threat of future terrorist activity in the U.S. and other parts of the world and related U.S. military action overseas.

Changes in accounting standards promulgated by the Financial Accounting Standards Board, the Securities and Exchange Commission or the American Institute of Certified Public Accountants, which may require adjustments to financial statements.

Although the Company believes it has been prudent in its 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. The Company undertakes no obligation to release publicly any revisions to forward-looking statements as a result of new information, future events or otherwise.

PART II OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

This Item 1 has been updated for events and developments occurring subsequent to the filing of the original Form 10-Q. In addition, this Item 1 has been revised to incorporate certain conforming changes.

Various lawsuits, claims and proceedings are pending against the Company and certain of its subsidiaries. The most significant of these are described below.

TAXOL® LITIGATION

In 1997 and 1998, the Company filed several lawsuits asserting that a number of generic drug companies infringed its patents covering methods of administering paclitaxel when they filed Abbreviated New Drug Applications seeking regulatory approval to sell paclitaxel. These actions were consolidated for discovery in the U.S. District Court for the District of New Jersey (District Court). The Company did not assert a monetary claim against any of the defendants, but sought to prevent the defendants from marketing paclitaxel in a manner that violates its patents. The defendants asserted that they did not infringe the Company's patents and that these patents are invalid and unenforceable.

In early 2000, the District Court invalidated most claims of the Company's patents at issue. On April 20, 2001, the U.S. Court of Appeals for the Federal Circuit affirmed the District Court's summary judgment of the invalidity of all but two claims of the patents at issue. Those two claims relate to the low-dose, three-hour administration of paclitaxel in which the patient is given a specified regimen of premedicants before the administration of paclitaxel. The appellate court remanded those two claims to the District Court for further proceedings. In 2001, the Company filed an additional patent infringement suit against another company seeking to market generic paclitaxel.

In September 2000, one of the defendants received final approval from the U.S. Food and Drug Administration (FDA) for its Abbreviated New Drug Application for paclitaxel and is marketing the product. The FDA has since announced additional final approvals and sales of additional generic products have begun.

Some of the defendants asserted counterclaims seeking damages for alleged antitrust and unfair competition violations. The Company believed its patents were valid when it filed the suits, and the counterclaims asserted are believed to be without merit. The lawsuits with all defendants who asserted counterclaims have been settled, with the defendants agreeing to drop all claims relating to paclitaxel and the Company granting licenses to them under certain paclitaxel patent rights.

Since the filing of the initial patent infringement suits, six private actions have been filed by parties alleging antitrust, consumer protection and similar claims relating to the Company's actions to obtain and enforce patent rights. The plaintiffs seek declaratory judgment, damages (including treble and/or punitive damages where allowed), disgorgement and injunctive relief. In June 2002, a group of 32 state attorneys general, the District of Columbia, Puerto Rico and the Virgin Islands brought similar claims. In September 2000, the Federal Trade Commission (FTC) initiated an investigation relating to paclitaxel.

On January 7, 2003, the Company announced that it reached agreements in principle that would settle substantially all antitrust litigation surrounding TAXOL®. The amount of the TAXOL® antitrust settlements is expected to be $135 million, the full amount of which was accrued in the third quarter of 2002. Certain important terms and conditions of the settlements remain to be finalized, and certain settlements require court approval. Final approval by the state attorneys general in the TAXOL® litigation is contingent upon further agreements relating to the terms of injunctive relief. Among the provisions remaining to be negotiated are the terms for incorporating certain claimants, including a number of health insurers, into the existing settlement framework. The Company is in discussions with a number of insurers. Whether they will ultimately join the proposed settlement cannot be predicted with certainty at this time.

The Company has also reached agreement with the FTC staff on the terms of a consent order that would resolve the FTC's investigation. The proposed consent order is subject to review and approval by the FTC commissioners.

Other than with respect to the abovementioned proposed settlements, it is not possible at this time reasonably to assess the final outcome of these lawsuits or reasonably to estimate the possible loss or range of loss with respect to these lawsuits. If the proposed settlements do not become final or do not resolve all TAXOL®-related antitrust, consumer protection and similar claims, and if the Company were not to prevail in final, non-appealable determinations of ensuing litigation, the impact could be material.

BUSPAR LITIGATION

On November 21, 2000, the Company obtained a patent, U.S. Patent No. 6,150,365 ('365 patent), relating to a method of using BUSPAR or buspirone. The Company timely submitted information relating to the '365 patent to the FDA for listing in an FDA publication commonly known as the "Orange Book", and the FDA thereafter listed the patent in the Orange Book.

Delisting and Patent Suits. Generic-drug manufacturers sued the FDA and the Company to compel the delisting of the '365 patent from the Orange Book. Although one district court declined to order the delisting of the '365 patent, another ordered the Company to cause the delisting of the patent from the Orange Book. The Company complied with the court's order but appealed the decision to the United States Court of Appeals for the Federal Circuit. The appellate court reversed the district court that ordered the delisting. Concurrently, the Company sought to enforce the '365 patent in actions against two generic drug manufacturers.

Antitrust Suits. Following the delisting of the '365 patent from the Orange Book, a number of purchasers of buspirone and several generic drug makers filed lawsuits against the Company alleging that it improperly triggered statutory marketing exclusivity. The plaintiffs claimed that this was a violation of antitrust, consumer protection and other similar laws. The attorneys general of 36 states and Puerto Rico also filed suit against the Company with parallel allegations. The plaintiffs have amended their allegations to include charges that a 1994 agreement between the Company and a generic company improperly blocked the entry of generic buspirone into the market. Plaintiffs seek declaratory judgment, damages (including treble and/or punitive damages where allowed), disgorgement and injunctive relief.

Multidistrict Litigation (MDL) Proceedings. The Judicial Panel on MDL granted the Company's motions to have all of the patent and antitrust cases consolidated in a single forum. The court before which the buspirone litigations are now pending issued two opinions dated February 14, 2002. In the first opinion, the court found that the '365 patent does not cover uses of buspirone and therefore is not infringed. In the second opinion, the court denied the Company's motion to dismiss the federal antitrust and various state law claims. The second opinion allows the claims against the Company to proceed, except as to federal antitrust claims for damages accrued more than four years before the filing of the complaints.

Government Investigations. The FTC and a number of state attorneys general initiated investigations concerning the matters alleged in the antitrust suits and discussed above. The Company cooperated in these investigations. A number of attorneys general, but not all of them, filed an action against the Company, as noted above.

Proposed Settlements. On January 7, 2003, the Company announced that it reached agreements in principle that would settle substantially all antitrust litigation surrounding BUSPAR. The amount of the BUSPAR settlements is expected to be $535 million, of which $35 million was accrued in the fourth quarter of 2001, $90 million was accrued in the first quarter of 2002, and $410 million was accrued in the third quarter of 2002. Written settlement agreements with a number of parties have now been signed. Certain of these settlements require court approval. A number of health insurers have not agreed to the proposed settlement framework. Whether these cases will ultimately be settled cannot be predicted with certainty at this time.

The Company has also reached agreement with the FTC staff on the terms of a consent order that would resolve the FTC's investigation. The proposed consent order is subject to review and approval by the FTC commissioners.

Other than with respect to the abovementioned proposed settlements of BUSPAR antitrust litigation, it is not possible at this time reasonably to assess the final outcome of these lawsuits or reasonably to estimate the possible loss or range of loss with respect to these lawsuits. If the proposed settlements do not become final or do not resolve all BUSPAR-related antitrust, consumer protection and similar claims, and if the Company were not to prevail in final, non-appealable determinations of ensuing litigation, the impact could be material.

VANLEV LITIGATION

In April, May and June 2000, the Company, its former chairman of the board and chief executive officer, Charles A. Heimbold, Jr., and its former chief scientific officer, Peter S. Ringrose, Ph.D., were named as defendants in a number of class action lawsuits alleging violations of federal securities laws and regulations. These actions have been consolidated into one action in the U.S. District Court for the District of New Jersey. The plaintiff claims that the defendants disseminated materially false and misleading statements and/or failed to disclose material information concerning the safety, efficacy and commercial viability of its product VANLEV during the period November 8, 1999 through April 19, 2000.

In May 2002, the plaintiff submitted an amended complaint adding allegations that the Company, its present chairman of the board and chief executive officer, Peter R. Dolan, its former chairman of the board and chief executive officer, Charles A. Heimbold, Jr., and its former chief scientific officer, Peter S. Ringrose, Ph.D., disseminated materially false and misleading statements and/or failed to disclose material information concerning the safety, efficacy, and commercial viability of VANLEV during the period April 19, 2000 through March 20, 2002. A number of related class actions, making essentially the same allegations, were also filed in the U.S. District Court for the Southern District of New York. These actions have been transferred to the U.S. District Court for the District of New Jersey. The plaintiff purports to seek compensatory damages, costs and expenses on behalf of shareholders.

It is not possible at this time reasonably to assess the final outcome of this litigation or reasonably to estimate the possible loss or range of loss with respect to this litigation. If the Company were not to prevail in final, non-appealable determinations of this litigation, the impact could be material.

PLAVIX LITIGATION*

The Company is part owner of an entity that is a plaintiff in two pending patent infringement lawsuits in the United States District Court for the Southern District of New York, entitled Sanofi-Synthelabo, Sanofi-Synthelabo Inc., and Bristol-Myers Squibb Sanofi Pharmaceuticals Holding Partnership v. Apotex Inc. and Apotex Corp., 02-CV-2255 (RWS) and Sanofi-Synthelabo, Sanofi-Synthelabo Inc. and Bristol-Myers Squibb Sanofi Pharmaceuticals Holding Partnership v. Dr. Reddy's Laboratories, LTD, and Dr. Reddy's Laboratories, Inc., 02-CV-3672 (RWS). The suits are based on U.S. Patent No. 4,847,265, which discloses and claims, among other things, the hydrogen sulfate salt of clopidogrel, which is marketed as PLAVIX*, and on U.S. Patent No. 5,576,328, which discloses and claims, among other things, the use of clopidogrel to prevent a secondary ischemic event. Plaintiffs' infringement position is based on defendants' filing of their Abbreviated New Drug Applications with the FDA, seeking approval to sell generic clopidogrel prior to the expiration of the patents in suit.

It is not possible at this time reasonably to assess the final outcome of these lawsuits or reasonably to estimate the possible loss or range of loss with respect to these lawsuits. If patent protection for PLAVIX* were lost, the impact on the Company's operations could be material.

OTHER SECURITIES MATTERS

During the period March through May 2002, the Company and a number of its current and former officers were named as defendants in a number of securities class action lawsuits alleging violations of

federal securities laws and regulations. The plaintiffs variously alleged that the defendants disseminated materially false and misleading statements and failed to disclose material information concerning three different matters: (1) safety, efficacy and commercial viability of VANLEV (as discussed above), (2) the Company's sales incentives to certain wholesalers and the inventory levels of those wholesalers, and (3) the Company's investment in and relations with ImClone Systems Incorporated (ImClone), and ImClone's product, ERBITUX*. As discussed above, the allegations concerning VANLEV have been transferred to the U.S. District Court for the District of New Jersey and consolidated with the action pending there. The remaining actions have been consolidated and are pending in the U.S. District Court for the Southern District of New York. The allegations of these remaining actions cover the period January 2001 through April 2002. The plaintiffs seek compensatory damages, costs and expenses.

In October 2002, a number of the Company's officers, directors and former directors were named as defendants in a shareholder derivative suit pending in the U.S. District Court for the Southern District of New York. The Company is a nominal defendant. The suit alleges, among other things, violations of the federal securities laws and breaches of contract and fiduciary duty in connection with the Company's sales incentives to certain wholesalers, the inventory levels of those wholesalers and its investment in ImClone and ImClone's product, ERBITUX*. Two similar actions are pending in New York State court. Plaintiffs seek damages, costs and attorneys' fees.

In April 2002, the SEC initiated an inquiry into the wholesaler inventory issues referenced above, which became a formal investigation in August 2002. In December 2002, that investigation was expanded to include certain accounting issues, including issues related to the establishment of reserves, and accounting for certain asset and other sales. In October 2002, the United States Attorney's Office for the District

of New Jersey announced an investigation into the wholesaler inventory issues referenced above, which has since expanded to cover the same subject matter as the SEC investigation. In the opinion of management, all material adjustments necessary to correct the previously issued financial statements have been recorded as part of the restatement, and the Company does not expect any further restatement. As described below, however, the Company cannot reasonably assess the final outcome of these investigations at this time. The Company is cooperating with both of these investigations. The Company's own investigation is also continuing.

It is not possible at this time reasonably to assess the final outcome of these litigations and investigations or reasonably to estimate the possible loss or range of loss with respect to these litigations and investigations. The Company is producing documents and actively cooperating with these investigations, which investigations could result in the assertion of criminal and/or civil claims. If the Company were not to prevail in final, non-appealable determinations of these litigations and investigations, the impact could be material.

ERISA LITIGATION

In December 2002 and in the first quarter of 2003, the Company and others were named as defendants in a number of class actions brought under the federal Employee Retirement Income Security Act (ERISA). The cases are pending in the U.S. District Courts for the Southern District of New York and the District of New Jersey. Plaintiffs allege that defendants breached various fiduciary duties imposed by ERISA and owed to participants in the Bristol-Myers Squibb Company Savings and Investment Program (Program), including a duty to disseminate material information concerning: (1) safety data of the Company's product VANLEV, (2) the Company's sales incentives to certain wholesalers and the inventory levels of those wholesalers, and (3) the Company's investment in and relations with ImClone, and ImClone's product, ERBITUX*. In connection with the above allegations, plaintiffs further assert that defendants breached fiduciary duties to diversify Program assets, to monitor investment alternatives, to avoid conflicts of interest, and to remedy alleged fiduciary breaches by co-fiduciaries. In the case pending in the District of New Jersey, plaintiffs additionally allege violation by defendants of a duty to disseminate material information concerning alleged anti-competitive activities related to the Company's products

BUSPAR, TAXOL®, and PRAVACHOL. Plaintiffs seek to recover losses caused by defendants' alleged violations of ERISA and attorneys' fees.

It is not possible at this time reasonably to assess the final outcome of these matters or reasonably to estimate the possible loss or range of loss with respect to these lawsuits. If the Company were not to prevail in final, non-appealable determinations of these matters, the impact could be material.

AVERAGE WHOLESALE PRICING LITIGATION

The Company, together with a number of other pharmaceutical manufacturers, is a defendant in a series of state and federal actions by private plaintiffs, brought as purported class actions, and complaints filed by the attorneys general of two states and one county, alleging that the manufacturers' reporting of prices for certain products has resulted in a false and overstated Average Wholesale Price (AWP), which in turn improperly inflated the reimbursement paid by Medicare beneficiaries, insurers, state Medicaid programs, medical plans, and others to health care providers who prescribed and administered those products. The federal cases (and many of the state cases, including the attorney general cases, which have been removed to federal courts) have been consolidated for pre-trial purposes and transferred to the United States District Court for the District of Massachusetts, In re Pharmaceutical Industry Average Wholesale Price Litigation (AWP MultiDistrict Litigation). On September 6, 2002, several of the private plaintiffs in the AWP MultiDistrict Litigation filed a Master Consolidated Complaint (Master Complaint), which superseded the complaints in their pre-consolidated constituent cases. The Master Complaint asserts claims under the federal RICO statute and state consumer protection and fair trade statutes. The Company and the other defendants moved to dismiss the Master Complaint, and motions were heard on January 13, 2003. The Nevada and Montana Attorneys General have moved to have their respective cases remanded to state court and argument on the motion was held on March 7, 2003. The Company is also a defendant in related state court proceedings in New York, New Jersey, California, Arizona and Tennessee, and in one federal court proceeding in New York commenced by the County of Suffolk. The New York and New Jersey state court proceedings are currently stayed. The Company, and the other defendants, have removed, or intend to remove, the other state court cases to federal court and will seek to have them transferred to the AWP MultiDistrict Litigation. The Company anticipates that the County of Suffolk case will also be transferred there. Plaintiffs seek damages as well as injunctive relief aimed at manufacturer price reporting practices. These cases are at a very preliminary stage, and the Company is unable to assess the outcome and any possible effect on its business and profitability, or reasonably to estimate possible loss or range of loss with respect to these cases.

The Company, together with a number of other pharmaceutical manufacturers, also has received subpoenas and other document requests from various government agencies seeking records relating to its pricing and marketing practices for drugs covered by Medicare and/or Medicaid. The requests for records have come from the United States Attorney's Office for the District of Massachusetts, the Office of the Inspector General of the Department of Health and Human Services in conjunction with the Civil Division of the Department of Justice, and

several states.

The Company is producing documents and actively cooperating with these investigations, which could result in the assertion of criminal and/or civil claims. The Company is unable to assess the outcome of, or to reasonably estimate the possible loss or range of loss with respect to, these investigations, which could include the imposition of fines, penalties and administrative remedies.

BREAST IMPLANT LITIGATION

The Company, together with its subsidiary Medical Engineering Corporation (MEC) and certain other companies, remains a defendant in a number of claims and lawsuits alleging damages for personal injuries of various types resulting from polyurethane-covered breast implants and smooth-walled breast implants formerly manufactured by MEC or a related company. The vast majority of claims against the Company in direct lawsuits have been resolved through settlements or trial. Likewise, claims or potential claims against the Company registered in the nationwide class action settlement approved by the Federal District Court in Birmingham, Alabama (Revised Settlement), have been or will be resolved through the Revised Settlement. The Company has established accruals in respect of breast implant product liability litigation. The Company believes that any possible loss in addition to the amounts accrued will not be material.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

a)

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

Exhibit Number and Description		Page
10a.	Bristol-Myers Squibb Company 1997 Stock Incentive Plan, Effective as of May 6, 1997 and as amended effective July 17, 2002 (previously filed).	N/A
10b.	Bristol-Myers Squibb Company 2002 Stock Incentive Plan, Effective as of May 7, 2002 and as amended effective July 17, 2002 (previously filed).	N/A
10q.	Form of agreement entered into between the Registrant and Wendy Dixon on March 20, 2002 (incorporated herein by reference to Exhibit 10q to the Form 10-Q for the quarterly period ended September 30, 1999).	N/A
10r.	Employment and Separation Agreement dated as of June 5, 2002 between the Registrant and Peter S. Ringrose (previously filed).	N/A
15.	Independent Accountants' Awareness Letter.	E-15-1
99.1.	Section 906 Certification Letter.	E-99-1
99.2.	Section 906 Certification Letter.	E-99-2

b)

The Registrant did not file any reports on Form 8-K during the quarterly period ended June 30, 2002.

* Indicates, in this Form 10-Q/A, brand names of products which are registered trademarks not owned by the Company or its subsidiaries. ERBITUX is a trademark of ImClone Systems Incorporated; AVAPRO and PLAVIX are trademarks of Sanofi-Synthelabo S.A.; GLUCOPHAGE, GLUCOPHAGE XR and GLUCOVANCE are trademarks of Merck Sante S.A.S., an associate of Merck KGaA of Darmstadt, Germany; and ESTRACE is a trademark of Galen (Chemicals) Limited.

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: March 28, 2003 By: /s/ PETER R. DOLAN

Peter R. Dolan
Chairman of the Board and Chief Executive Officer

Date: March 28, 2003 By: /s/ ANDREW R.J. BONFIELD

Andrew R.J. Bonfield
Senior Vice President and Chief Financial Officer

CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION BY CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

I, Peter R. Dolan, certify that:

1. I have reviewed Bristol-Myers Squibb Company's Amendment No. 1 to the Quarterly Report on Form 10-Q/A for the quarter ended June 30, 2002;

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

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

Date: March 28, 2003

/s/ Peter R. Dolan

Peter R. Dolan
Chairman of the Board and
Chief Executive Officer

CERTIFICATION BY THE SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

I, Andrew R.J. Bonfield, certify that:

1. I have reviewed Bristol-Myers Squibb Company's Amendment No. 1 to the Quarterly Report on Form 10-Q/A for the quarter ended June 30, 2002;

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

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

Date: March 28, 2003

/s/ Andrew R.J. Bonfield

Andrew R.J. Bonfield
Senior Vice President and
Chief Financial Officer

QuickLinks