BRISTOL MYERS SQUIBB CO
Form 10-Q/A
March 31, 2004

UNITED STATES

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 SEPTEMBER 30, 2003

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 x No ¨

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes x No ¨

At September 30, 2003, there were 1,939,286,463 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 for the quarterly period ended September 30, 2003 includes unaudited restated consolidated financial statements as of September 30, 2003 and December 31, 2002 and for the three and nine months ended September 30, 2003 and 2002. The accompanying restated consolidated financial statements and supplementary data, including the notes to the accompanying restated consolidated financial statements, have been revised to reflect primarily the restatement, the addition of the Oncology Therapeutics Network as a separate business segment, disclosures of a milestone payment under the ImClone alliance and changes in legal proceedings and contingencies occurring subsequent to the filing of the original Form 10-Q for the period ended September 30, 2003.

Bristol-Myers Squibb Company (the Company) has restated, by means of its Annual Report on Form 10-K for the year ended December 31, 2003 (2003 Form 10-K), its consolidated balance sheet at December 31, 2002, and consolidated statements of earnings, cash flows, and comprehensive income and retained earnings for the years ended December 31, 2002 and 2001. The restatement affected periods prior to 2001. Note 2 included in the 2003 Form 10-K shows the impact of the restatement adjustments to retained earnings as of January 1, 2001, to reflect the impact of the restatement on periods prior to 2001. For information on the impact of the restatement on the years 2000 and 1999, reference is made to the Company s 2003 Form 10-K, Item 6. Selected Financial Data. In addition, the restatement impacts the first three quarters of 2003. The restated amounts for the first and second quarters of 2003 and the comparable interim periods in 2002 are presented in the Company s Quarterly Reports on Form 10-Q/A for the quarterly periods ended March 31, 2003 and June 30, 2003.

The restatement (i) corrects certain of the Company s historical accounting policies to conform to U.S. generally accepted accounting principles (GAAP) and (ii) corrects certain errors made in the application of GAAP, including errors in tax contingency reserves that may be related to inappropriate accounting. The restatement includes adjustments to (i) earnings from continuing operations before minority interest and income taxes, (ii) minority interest, net of taxes, (iii) the provision for income taxes, (iv) earnings from discontinued operations and (v) cash and cash equivalents.

The restatement adjustments increased the Company s net earnings and diluted earnings per share for the three and nine months ended September 30, 2003 by approximately $22 million or $0.02 per share and $77 million or $0.04 per share, respectively, and decreased net earnings and diluted earnings per share for the three and nine months ended September 30, 2002 by approximately $29 million or $0.01 per share and $20 million or $0.01 per share, respectively.

The restatement adjustment to the Company s consolidated balance sheet decreased the amount of cash and cash equivalents at December 31, 2002 and September 30, 2003 by approximately $1.6 billion and $2.3 billion, respectively, and increased marketable securities in each case by the same amount. The restatement adjustment to the statement of cash flows increased (decreased) the amount of net cash used in investing activities for the nine months ended September 30, 2003 and 2002 by approximately $0.7 billion and $(0.5) billion, respectively.

For further discussion, see the Company s 2003 10-K, Item 8. Financial Statements Note 2. Restatement of Previously Issued Financial Statements for Years Ended December 31, 2002 and 2001, which discloses the nature of the restatement adjustments and shows the impact of the restatement adjustments on net earnings and the provision for income taxes, the impact of the income tax restatement adjustments on the consolidated balance sheet at December 31, 2002 and the cumulative impact of the adjustments on a condensed statement of earnings and condensed balance sheet for each annual period on a restated basis.

This Form 10-Q/A amends and restates Items 1, 2 and 4 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 Report on Form 10-K or Quarterly Reports on Form 10-Q for periods affected by the restatement that ended prior to March 31, 2003, and the financial statements and related financial information contained in such reports should no longer be relied upon.

All referenced amounts in this Amendment No. 1 to the Company s Quarterly Report on Form 10-Q/A for prior periods and prior period comparisons reflect the balances and amounts on a restated basis.

For a discussion of events and developments subsequent to September 30, 2003 through the filing on March 15, 2004 of the Company s 2003 Form 10-K, see the Company s 2003 Form 10-K. This Amendment No. 1 to the Company s Quarterly Report on Form 10-Q/A for the quarterly period ended September 30, 2003 has not been updated to reflect any events or developments occurring subsequent to March 15, 2004.

BRISTOL-MYERS SQUIBB COMPANY

INDEX TO FORM 10-Q/A

SEPTEMBER 30, 2003

PART I FINANCIAL INFORMATION

Item 1. RESTATED FINANCIAL STATEMENTS

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

BRISTOL-MYERS SQUIBB COMPANY

RESTATED CONSOLIDATED BALANCE SHEET

(UNAUDITED)

	Restated September 30, 2003	Restated December 31, 2002
	(dollars in millions)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 2,678	$ 2,367
Marketable securities	2,361	1,622
Receivables, net of allowances $168 and $129	3,588	2,968
Inventories:		
Finished goods	1,016	918
Work in process	549	416
Raw and packaging materials	174	216
Consignment inventory	6	58
Total Inventories	1,745	1,608
Prepaid expenses and other	1,085	1,495
Total Current Assets	11,457	10,060
Property, plant and equipment	9,206	8,706
Less: Accumulated depreciation	3,713	3,372
	5,493	5,334
Goodwill	4,836	4,836
Other intangible assets, net	1,782	1,904
Other assets	3,107	2,888
Total Assets	$ 26,675	$ 25,022
LIABILITIES		
Current Liabilities:		
Short-term borrowings	$ 1,288	$ 1,379
Accounts payable	1,662	1,551

Accrued expenses	2,860	2,537
Accrued rebates and returns	920	883
U.S. and foreign income taxes payable	536	525
Dividends payable	543	542
Accrued litigation liabilities	3	600
Deferred revenue on consigned inventory	83	470
Total Current Liabilities	7,895	8,487
Other liabilities	1,489	1,518
Long-term debt	7,421	6,261
Total Liabilities	16,805	16,266
Commitments and contingencies		
STOCKHOLDERS EQUITY		
Preferred stock, $2 convertible series:		
Authorized 10 million shares; issued and outstanding 8,108 in 2003 and 8,308 in 2002, liquidation value of $50 per share		
Common stock, par value of $.10 per share:		
Authorized 4.5 billion shares; issued 2,200,959,763 in 2003 and 2,200,823,544 in 2002	220	220
Capital in excess of par value of stock	2,478	2,491
Restricted stock	(56)	(52)
Other accumulated comprehensive loss	(794)	(904)
Retained earnings	19,476	18,503
	21,324	20,258
Less cost of treasury stock 261,673,300 common shares in 2003 and 263,994,580 in 2002	11,454	11,502
Total Stockholders Equity	9,870	8,756
Total Liabilities and Stockholders Equity	$ 26,675	$ 25,022

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

BRISTOL-MYERS SQUIBB COMPANY

RESTATED CONSOLIDATED STATEMENT OF EARNINGS

(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	Restated 2003	**Restated 2002**	**Restated 2003**	**Restated 2002**
	(in millions, except per share data)			
EARNINGS				
Net Sales	$ 5,372	$ 4,524	$ 15,229	$ 13,295
Cost of products sold	1,929	1,668	5,490	4,656
Marketing, selling and administrative	1,151	993	3,398	2,933
Advertising and product promotion	332	263	1,001	800
Research and development	565	537	1,564	1,549
Acquired in-process research and development		7		167
Gain on sales of businesses/product lines				(30)
Provision for restructuring and other items, net	13	(11)	18	(10)
Litigation (income)/charge, net	(4)	569	(66)	659
Asset impairment charge for ImClone		379		379
Equity in net income of affiliates	(54)	(28)	(124)	(60)
Other expense, net	79	40	177	128
	4,011	4,417	11,458	11,171
Earnings from Continuing Operations Before Minority Interest and Income Taxes	1,361	107	3,771	2,124
Provision for (benefit of) income taxes	345	(263)	923	277
Minority interest, net of taxes	110	60	248	207
Earnings from Continuing Operations	906	310	2,600	1,640
Discontinued Operations:				
Net gain on disposal		18		32
Net Earnings	$ 906	$ 328	$ 2,600	$ 1,672
Earnings Per Common Share				
Basic				
Earnings from Continuing Operations	$ .47	$ .16	$ 1.34	$ .85
Discontinued Operations:				
Net gain on disposal		.01		.02
Net Earnings	$ .47	$ .17	$ 1.34	$ .87
Diluted				
Earnings from Continuing Operations	$ .47	$ .16	$ 1.34	$ .84
Discontinued Operations:				

Net gain on disposal		.01		.02
Net Earnings	$ .47	$ .17	$ 1.34	$ .86
Average Common Shares Outstanding				
Basic	1,937	1,936	1,936	1,936
Diluted	1,944	1,941	1,942	1,943
Dividends declared per Common Share	$ .28	$ .28	$ .84	$ .84

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

BRISTOL-MYERS SQUIBB COMPANY

RESTATED CONSOLIDATED STATEMENT OF

COMPREHENSIVE INCOME AND RETAINED EARNINGS

(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	Restated 2003	Restated 2002	Restated 2003	Restated 2002
	(dollars in millions)			
COMPREHENSIVE INCOME				
Net Earnings	$ 906	$ 328	$ 2,600	$ 1,672
Other Comprehensive Income (Loss):				
Foreign currency translation, net of tax benefit of $30 and $15 for the three months ended September 30, 2003 and 2002, respectively; and net of tax expense of $24 and tax benefit of $19 for the nine months ended September 30, 2003 and 2002, respectively	35	121	165	124
Increase (decrease) in market value of investments, net of tax expense of $2 for the three months ended September 30, 2003 and net of tax expense of $3 for the nine months ended September 30, 2003	12	(13)	17	(13)
Deferred gains (losses) on derivatives qualifying as hedges, net of tax expense of $7 and $8 for the three months ended September 30, 2003 and 2002, respectively; and net of tax benefit of $36 and $4 for the nine months ended September 30, 2003 and 2002, respectively	39	8	(72)	(7)
Total Other Comprehensive Income	86	116	110	104
Comprehensive Income	$ 992	$ 444	$ 2,710	$ 1,776
RETAINED EARNINGS				
Retained Earnings, January 1			$ 18,503	$ 18,530
Net Earnings			2,600	1,672
Cash dividends declared			(1,627)	(1,627)
Retained Earnings, September 30			$ 19,476	$ 18,575

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

BRISTOL-MYERS SQUIBB COMPANY

RESTATED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

	Nine Months Ended September 30,	
	Restated 2003	**Restated 2002**
	(dollars in millions)	
Cash Flows From Operating Activities:		
Net earnings	$ 2,600	$ 1,672
Depreciation	325	321
Amortization	229	228
Litigation charges	13	669
Provision for restructuring and other items, net	65	(25)
Acquired in-process research and development		160
Asset impairment charge for investment in ImClone		379
Gain on sales of businesses/product lines (including discontinued operations)		(95)
Other operating items	54	44
Receivables	(547)	303
Inventories	(50)	38
Deferred revenue on consigned inventory	(386)	(869)
Litigation settlement payments, net of receipts	(606)	(90)
Accounts payable and accrued expenses	372	(454)
Income taxes	98	(2,061)
Product liability	9	(21)
Insurance recoverable	1	150
Pension contribution to the U.S. retirement income plan		(150)
Other assets and liabilities	84	56
Net Cash Provided by Operating Activities	2,261	255
Cash Flows From Investing Activities:		
Proceeds from sales and maturities of marketable securities	15,568	8,786
Purchases of marketable securities	(16,303)	(8,133)
Additions to property, plant and equipment	(538)	(714)
Investment in ImClone	(60)	
Proceeds from product divestitures		88
Proceeds from sale of Clairol		45
Business acquisitions (including purchase of trademarks/patents)	(53)	(215)
DuPont acquisition costs and liabilities	(8)	(326)
Other, net	(41)	(51)
Net Cash Used in Investing Activities	(1,435)	(520)
Cash Flows From Financing Activities:		
Short-term borrowings, net of repayments	(45)	498
Long-term debt borrowings	1,103	3
Long-term debt repayments	(3)	(6)
Issuances of common stock under stock plans	34	129
Purchases of treasury stock		(154)
Dividends paid	(1,627)	(1,627)

Net Cash Used in Financing Activities	(538)	(1,157)
Effect of Exchange Rates on Cash	23	6
Increase (Decrease) in Cash and Cash Equivalents	311	(1,416)
Cash and Cash Equivalents at Beginning of Period	2,367	4,552
Cash and Cash Equivalents at End of Period	$ 2,678	$ 3,136

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

BRISTOL-MYERS SQUIBB COMPANY

NOTES TO RESTATED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Throughout these notes to the restated consolidated financial statements, all referenced amounts for 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 financial position at September 30, 2003 and December 31, 2002, the results of its operations for the three and nine months ended September 30, 2003 and 2002, and cash flows for nine months ended September 30, 2003 and 2002. For further discussion see Note 2. Restatement of Previously Issued Financial Statements, below. These restated consolidated financial statements and the related notes should be read in conjunction with the consolidated financial statements and the related notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2003 (2003 Form 10-K). PricewaterhouseCoopers LLP (PwC), the Company s independent accountants, have performed a review of the unaudited consolidated financial statements included in this Form 10-Q/A, and their review report thereon accompanies this Form 10-Q/A. Certain amounts in the unaudited consolidated financial statements for the three and nine months ended September 30, 2002 have been reclassified to conform to current year presentation.

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

The Company recognizes revenue when substantially all the risks and rewards of ownership have transferred to the customer. In the case of certain sales made by the Nutritionals and Other Healthcare segments and certain non-U.S. businesses within the Pharmaceuticals segment, revenue is recognized on the date of receipt by the purchaser. 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.

In the case of sales made to wholesalers (i) as a result of incentives, (ii) in excess of the wholesaler s ordinary course of business inventory level, (iii) 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 (iv) 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 are 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 wholesaler 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.

In addition, the Company includes alliance revenue in net sales. The Company has agreements to promote pharmaceuticals discovered by other companies. Alliance revenue is based upon a percentage of the Company s copromotion partners net sales and is earned when the copromotion partners ship the related product and title passes to their customer.

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, including the reclassification of amounts relating to equity in net income of affiliates, which were formerly netted in minority interest, net of taxes and are now presented on a separate line in the consolidated statement of earnings (see Note 7. Alliances and Investments below).

BRISTOL-MYERS SQUIBB COMPANY

NOTES TO RESTATED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 1. Basic of Presentation and New Accounting Standards (Continued)

In January 2003, the Company adopted Financial Accounting Standards Board (FASB) Interpretation No. 46 (FIN 46 or Interpretation), Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51. FIN 46 clarifies the application of Accounting Research Bulletin (ARB) No. 51, Consolidated Financial Statements, to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties; such entities are known as variable interest entities (VIEs). The FASB issued a revision to FIN 46 (FIN 46-R) in December 2003. FIN 46-R is effective for the interim period ending March 31, 2004 for all new or existing VIEs. The adoption of FIN 46 had no effect on the Company s financial statements.

If an entity does not meet the definition of a VIE under FIN 46, the Company accounts for the entity under the provisions of Accounting Principles Board (APB) Opinion Number 18, The Equity Method of Accounting for Investments in Common Stock, which requires that the Company consolidates all majority (more than 50%) owned subsidiaries where it has the ability to exercise control. The Company accounts for 50% or less owned companies over which it has the ability to exercise significant influence using the equity method of accounting. The Company s share of net income or losses of equity investments is included in equity in net income of affiliates in the consolidated statement of earnings. The Company periodically reviews these equity investments for impairment and adjusts these investments to their fair value when a decline in market value is deemed to be other than temporary. During 2002, the Company recorded an asset impairment charge of $379 million for an other-than-temporary decline in the market value of ImClone Systems Incorporated (ImClone).

Long-term investments in securities, which comprise marketable equity securities and securities and investments for which market values are not readily available, are included in other assets. Marketable equity securities are classified as available-for-sale and reported at fair value. Fair value is based on quoted market prices as of the end of the reporting period. Securities and investments for which market values are not readily available are carried at cost. Unrealized gains and losses are reported, net of their related tax effects, as a component of accumulated other comprehensive income (loss) in stockholders equity until sold. At the time of sale, any gains or losses are calculated by the specific identification method and recognized in other (income)/expense. Losses are also recognized in income when a decline in market value is deemed to be other than temporary.

In accordance with SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure,* the following table summarizes the Company s results on a pro forma basis as if it had recorded compensation expense based upon the fair value at the grant date for awards under these plans consistent with the methodology prescribed under SFAS No. 123, *Accounting for Stock-Based Compensation*, for the three and nine months ended September 30, 2003 and 2002:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	Restated 2003	Restated 2002	Restated 2003	Restated 2002

	(dollars in millions, except per share data)			
Net Earnings:				
As reported	$ 906	$ 328	$ 2,600	$ 1,672
Deduct : Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(55)	(70)	(126)	(177)
Pro forma	$ 851	$ 258	$ 2,474	$ 1,495
Basic earnings per share:				
As reported	$ .47	$ .17	$ 1.34	$ .87
Pro forma	.44	.13	1.28	.77
Diluted earnings per share:				
As reported	$ .47	$ .17	$ 1.34	$ .86
Pro forma	.44	.13	1.27	.77

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 did not have a material effect on the Company s consolidated financial statements.

BRISTOL-MYERS SQUIBB COMPANY

NOTES TO RESTATED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 1. Basic of Presentation and New Accounting Standards (Continued)

In November 2002, the Emerging Issues Task Force (EITF) reached a consensus on EITF Issue No. 00-21, *Accounting for Revenue Arrangements with Multiple Deliverables*. EITF No. 00-21 provides guidance on how to determine when an arrangement that involves multiple revenue-generating activities or deliverables should be divided into separate units of accounting for revenue recognition purposes, and if this division is required, how the arrangement consideration should be allocated among the separate units of accounting. The guidance in the consensus is effective for revenue arrangements entered into in the fiscal periods beginning after June 15, 2003. The initial adoption of this standard did not have a material impact on the Company s consolidated financial statements.

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 did not have a material impact on the Company s consolidated financial statements.

Note 2. Restatement of Previously Issued Financial Statements

The Company has restated its consolidated balance sheet at December 31, 2002, and consolidated statements of earnings, cash flows, and comprehensive income and retained earnings for the year ended December 31, 2002 and for the nine months ended September 30, 2003. The restatement affected periods prior to 2002. The impact of the restatement on such prior periods is reflected as an adjustment to retained earnings as of January 1, 2002 for the periods presented herein. The restatement (i) corrects certain of the Company s historical accounting policies to conform to GAAP and (ii) corrects certain errors made in the application of GAAP. Set forth below are the restatement adjustments included in the restatement of the previously issued financial statements for the nine months ended September 30, 2003 and 2002, each of which is an error within the meaning of Accounting Principles Board Opinion (APB) No. 20, *Accounting Changes*.

The following table presents the impact of the restatement adjustments described below on net earnings for the three and nine months ended September 30, 2003 and 2002:

	Net Earnings for the Three Months Ended September 30,		Net Earnings for the Nine Months Ended September 30,	
	2003	2002	2003	2002

		(dollars in millions)		
As reported	$ 884	$ 357	$ 2,523	$ 1,692
WIC rebates accrual			88	2
Goods in transit	8	(9)	5	(26)
Other net sales adjustments	(8)	(10)	(18)	9
International pension and employee benefit plan accrual	1	1	2	2
Intercompany accounts	31		31	
Other marketing, selling and administrative adjustments	13	(2)	(16)	
Intercompany foreign exchange gains and losses	(34)	(24)	4	(24)
Other restatement items	(4)	1	(15)	3
Adjustments to minority interest, net of taxes	49	(1)	49	(3)
Provision for income taxes	(34)	15	(53)	17
As restated	$ 906	$ 328	$ 2,600	$ 1,672

BRISTOL-MYERS SQUIBB COMPANY

NOTES TO RESTATED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 2. Restatement of Previously Issued Financial Statements (Continued)

The restatement adjustments resulted in a cumulative net reduction of retained earnings of $357 million as of January 1, 2003. As discussed above, the impact of the restatement on periods prior to 2002 is reflected as an adjustment to retained earnings as of January 1, 2002 for the periods presented herein. The following table presents the impact of the restatement adjustments on retained earnings from January 1, 2002 to January 1, 2003 (dollars in millions):

Retained earnings January 1, 2002, as previously reported		$ 18,958
Cumulative effect of restatement adjustments prior to January 1, 2002		(428)
Retained Earnings-January 1, 2002, as restated		18,530
2002 Net Earnings:		
As previously reported	$ 2,066	
Restatements		
WIC rebates accrual	(4)	
Goods in transit	(5)	
Other net sales adjustments	14	
Other marketing, selling and administrative adjustments	8	
Intercompany foreign exchange gains and losses	(28)	
Other restatement items	8	
Adjustments to minority interest, net of taxes	(6)	
Provision for income taxes	84	
As restated		2,137
Cash dividends declared		(2,168)
Zimmer common stock dividend		4
Retained Earnings January 1, 2003, as restated		$ 18,503

Adjustments to Net Sales and Related Adjustments to Cost of Products Sold

WIC rebates accrual: Historically, the Company accrued for rebates under the Women, Infants and Children (WIC) Program at the date the coupons were issued by the states. This was an error in the application of GAAP, which requires accrual at the date of sale of the product. The Company has corrected its policy to accrue WIC rebates at the date of sale.

Goods in transit: The Company corrected an error in the application of GAAP regarding the timing of revenue recognition for certain sales made by its Mead Johnson unit, its Other Healthcare unit and certain of its non-U.S. Pharmaceuticals units. The Company previously recorded revenue for products sold on the date of shipment but now records revenue, based on the terms of sale, on the date of receipt by the purchaser.

Other net sales adjustments: The Company corrected an error in accounting for managed health care and other sales rebate accrual amounts initally recorded in connection with the Company s previous restatement. The Company restated certain sales transactions made by certain of its Asia business units where revenue had been recognized in error prior to the transfer of substantially all the risks and rewards of ownership due to the existence of a right of return available to the purchaser of the product. The Company erroneously failed to adjust on a timely basis its accrual for sales returns, charge backs and other deductions for sales of products of a divested division made prior to its divestiture as required under GAAP.

Other Adjustments to Earnings from Continuing Operations Before Minority Interest and Income Taxes

International pension and employee benefit plan accrual: Historically, the Company erroneously accounted for certain of its international employee benefit plans under cash or other non-GAAP methods based on its belief that the impact of applying the accrual method required by GAAP was immaterial. In 2003, the Company had an actuarial analysis performed for each of the larger plans and determined that it had understated its benefits liabilities for these plans. The Company now accounts for all its pension and employee benefit plans under the accrual method. In addition, the Company failed to make the required accrual for one of its international employee benefit plans due to a misapplication of GAAP.

Intercompany accounts: The Company determined that certain intercompany accounts payable and receivable could not be reconciled and were written off.

Other marketing, selling and administrative adjustments: The Company recorded a number of adjustments with respect to marketing, selling and administrative expense. The Company determined that there had been an error in application of its historical accounting policy for accruing for earned vacation not yet taken. The Company determined that it had not properly recorded an expense for

BRISTOL-MYERS SQUIBB COMPANY

NOTES TO RESTATED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 2. Restatement of Previously Issued Financial Statements (Continued)

training and operational support relating to a contract with a third party in the period that it was incurred. The Company wrote off certain accounts that did not have adequate documentation supporting their existence. The Company also wrote off reserves for post-employment benefits other than pensions that had been retained in error for certain of its divested businesses. The Company incorrectly capitalized certain costs related to internally developed software due to a misapplication of GAAP. The Company also failed to adjust certain expense reserves on a timely basis to the actual amount of expense incurred as required by GAAP. The Company also corrected a number of smaller, immaterial errors in the application of GAAP.

Intercompany foreign exchange gains and losses: Historically, the Company deferred gains and losses for certain intercompany foreign exchange loan transactions by recording such gains and losses in other accumulated comprehensive loss on the Company s consolidated balance sheet. This was an error in the application of GAAP, which requires that, unless the intercompany transaction is a long-term investment, that is, where settlement is not planned in the foreseeable future, any foreign currency transaction gain or loss should be included in determining net income. The Company has corrected its policy to comply with GAAP.

Other restatement items: The Company has several foreign subsidiaries that operate in jurisdictions with hyperinflationary currencies and with respect to which the Company recorded restatement adjustments to correct errors relating to the accounting for deferred tax assets, liabilities and valuation allowances. As a result, the Company did not record foreign exchange gain or loss with respect to these deferred tax assets, which was an error. The Company erroneously overaccrued expenses relating to certain grants, which had been completed, by failing to adjust accruals to the actual amounts of the expenses incurred over the life of the grants. The Company failed to write-off an unreconciled account relating to its acquisition of the Dupont Pharmaceuticals business in 2001. The Company also failed to adjust certain expense reserves on a timely basis to the actual amount of expense incurred as required by GAAP. The Company also corrected a number of smaller, immaterial errors in the application of GAAP.

Adjustments to Minority Interest, Net of Taxes

The Company recorded duplicate deferred tax net assets related to tax attributes of certain partnership entities in which Sanofi-Synthelabo owns the majority controlling interest.

Adjustments to Provision for Income Taxes

Contingency reserves: In certain instances during the periods being restated, the Company made errors in recording its reserves for tax contingencies. The Company believes there may have been inappropriate adjustments to its tax contingency reserves in 2001 and 2002. The Company has completed a review and it has not been able to determine whether or not any of the errors in its tax contingency reserves being corrected in the restatement are related to inappropriate accounting.

U.S. federal and state tax items: The Company identified a number of errors related to current and deferred federal and state taxes, and corresponding current and deferred tax expense. These errors included (i) not establishing deferred tax assets and, to the extent necessary, corresponding valuation allowances for net operating loss and tax credit carryforwards, (ii) not applying, or misapplying, the asset and liability approach for deferred taxes required under GAAP, (iii) not considering all relevant information at the date of issuance of the financial statements, and (iv) not timely adjusting for differences between tax provisions and filed tax returns.

Foreign tax items: The Company identified a number of errors related to current and deferred foreign taxes, and corresponding tax expense. These errors included (i) not establishing deferred tax assets and, to the extent necessary, corresponding valuation allowances for net operating loss and tax credit carryforwards, (ii) not applying, or misapplying, the asset and liability approach for deferred taxes required under GAAP, (iii) not considering all information available at the date of issuance of the financial statements, (iv) not timely adjusting for filed tax returns, and (v) accounting for income taxes in certain jurisdictions on a cash basis.

BRISTOL-MYERS SQUIBB COMPANY

NOTES TO RESTATED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 2. Restatement of Previously Issued Financial Statements (Continued)

The following table presents the impact of the restatement adjustments described above on the provision for income taxes for the three and nine months ended September 30, 2003 and 2002 (dollars in millions):

	Three Months Ended September 30,				Nine Months Ended September 30,			
			% of Earnings Before Minority Interest and Income Taxes				% of Earnings Before Minority Interest and Income Taxes	
	2003	2002	2003	2002	2003	2002	2003	2002
Provision for Income Taxes, as previously reported	$ 317	$ (252)	24.5%	(219.1)%	$ 859	$ 290	24.3%	14.0%
Other tax items:								
U.S.	28	36	0.9%	88.1%	39	117	0.1%	9.1%
Non-U.S.		(47)	%	(114.8)%	25	(130)	0.1%	(10.1)%
Provision for Income Taxes, as restated	$ 345	$ (263)	25.4%	(245.8)%	$ 923	$ 277	24.5%	13.0%

The following table presents the impact of the income tax restatement adjustments described above on the Company s balance sheet at September 30, 2003 and December 31, 2002 (dollars in millions):

	September 30, 2003	December 31, 2002
	Other	Other

	Contingency Reserves	Tax Items	Contingency Reserves	Tax Items
Assets:				
Prepaid expenses, current	$	$ (20)	$	$ 18
Other assets, non-current		(34)		92
Liabilities:				
U.S. and foreign income taxes payable	$	$ (1)	$ (80)	$ 122
Other liabilities, non-current			49	(27)

Adjustments to Cash and Cash Equivalents Classification

The Company has determined that certain investments under its cash management program were erroneously classified as cash equivalents on its consolidated balance sheet at September 30, 2003 and December 31, 2002, and statement of cash flows for the nine months ended September 30, 2003 and 2002, respectively. Although the Company believes these investments are highly liquid, because the maturities for these investments exceeded three months, the previous presentation in cash and cash equivalents was an error and the Company has restated prior periods to present these investments as marketable securities. The restatement adjustment to the Company s consolidated balance sheets at September 30, 2003 and December 31, 2002 decreased the amount of cash and cash equivalents by approximately $2.3 billion and $1.6 billion, respectively. The restatement adjustment to statements of cash flows increased (decreased) the amount of net cash used in investing activities for the nine months ended September 30, 2003 and 2002 by approximately $0.7 billion and $(0.5) billion, respectively.

BRISTOL-MYERS SQUIBB COMPANY

NOTES TO RESTATED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 2. Restatement of Previously Issued Financial Statements (Continued)

Adjustments to Other Expense, Net Classification

The table below presents the restatement charges (credits) for certain amounts that had been classified in error and have been reclassified as part of the restatement from other expense, net, to the appropriate line item in the consolidated statement of earnings for the three and nine months ended September 30, 2003 and 2002:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
	(dollars in millions)			
Total adjustments to Other expense, net	$ 1	$ (27)	$ (144)	$ (104)
Net Sales:				
Rebate accrual adjustment	$ (25)	$ (10)	$ (25)	$ 8
Cost of Products Sold:				
Royalty expense	$ 7	$ 14	$ 24	$ 41
Product liability expense			38	
Other, net[a]	12	30	36	27
	$ 19	$ 44	$ 98	$ 68
Marketing, Selling and Administrative:				
Amortization of capitalized software	$ 12	$ 8	$ 40	$ 20
Restricted stock grant amortization	5	4	17	13
Other, net[a]	(6)	(30)		(23)
	$ 11	$ (18)	$ 57	$ 10
Advertising and Product Promotion:				
Other, net[a]	$ (12)	$	$ (12)	$ (4)
Research and Development:				
Other, net[a]	$ (1)	$ 4	$ (7)	$ (9)

Equity in Net Income of Affiliates:				
ImClone - share in losses	$ 7	$ 7	$ 33	$ 31

(a) Certain items included in Other, net , are reclassifications of amounts that are not errors within the meaning of Accounting Principles Board Opinion No. 20, Accounting Changes, but rather are amounts that have been reclassified to conform to the current year presentation.

BRISTOL-MYERS SQUIBB COMPANY

NOTES TO RESTATED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 2. Restatement of Previously Issued Financial Statements (Continued)

The following table presents the impact of the restatement adjustments on the Company s previously reported results for the three and nine months ended September 30, 2003 and 2002 on a condensed basis:

	Three Months Ended September 30, 2003		Three Months Ended September 30, 2002		Nine Months Ended September 30, 2003		Nine Months Ended September 30, 2002	
	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)							
STATEMENT OF EARNINGS:								
Net sales	$ 5,337	$ 5,372	$ 4,537	$ 4,524	$ 15,100	$ 15,229	$ 13,325	$ 13,295
Total Costs and Expenses	4,045	4,011	4,422	4,417	11,568	11,458	11,258	11,171
Earnings from Continuing Operations	$ 884	$ 906	$ 339	$ 310	$ 2,523	$ 2,600	$ 1,660	$ 1,640
Discontinued Operations:								
Net (loss)/earnings								
Net gain on disposal			18	18			32	32
Net Earnings	$ 884	$ 906	$ 357	$ 328	$ 2,523	$ 2,600	$ 1,692	$ 1,672
Basic Earnings per Common Share								
Continuing Operations	$ .46	$ .47	$ .18	$ .16	$ 1.30	$ 1.34	$ .86	$ .85
Discontinued Operations:								
Net earnings								
Net gain on disposal			.01	.01			.02	.02
Net Earnings	$ .46	$ .47	$ .19	$ .17	$ 1.30	$ 1.34	$ .88	$ .87
Diluted Earnings per Common Share								
Continuing Operations	$ .45	$ .47	$ .17	$ .16	$ 1.30	$ 1.34	$ .85	$ .84
Discontinued Operations:								
Net earnings								
Net gain on disposal			.01	.01			.02	.02
Net Earnings	$ .45	$ .47	$ .18	$ .17	$ 1.30	$ 1.34	$ .87	$ .86

	September 30, 2003		December 31, 2002	
	As Previously Reported	As Restated	As Previously Reported	As Restated
	(dollars in millions)			
BALANCE SHEET:				
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 4,953	$ 2,678	$ 3,978	$ 2,367
Marketable securities	86	2,361	11	1,622
Other current assets	6,327	6,418	5,986	6,071
Total Current Assets	11,366	11,457	9,975	10,060
Other Assets	15,162	15,218	14,899	14,962
Total Assets	$ 26,528	$ 26,675	$ 24,874	$ 25,022
LIABILITIES				
Current liabilities	$ 7,612	$ 7,895	$ 8,220	$ 8,487
Other liabilities	1,430	1,489	1,426	1,518
Long-term debt	7,421	7,421	6,261	6,261
Total Liabilities	16,463	16,805	15,907	16,266
STOCKHOLDERS EQUITY	10,065	9,870	8,967	8,756
Total Liabilities and Stockholders Equity	$ 26,528	$ 26,675	$ 24,874	$ 25,022

BRISTOL-MYERS SQUIBB COMPANY

NOTES TO RESTATED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 3. Restructuring and Other Items

In the third quarter of 2003, the Company recorded $31 million of pre-tax charges related to the downsizing and streamlining of worldwide operations and $7 million related to relocation expenses. The charges related to downsizing and streamlining of worldwide operations include $9 million related to termination benefits for workforce reductions of approximately 100 employees in the Other Healthcare and Pharmaceuticals segments due to the rationalization of worldwide operations in Europe, North America, and Central America, $21 million of accelerated depreciation of assets in manufacturing facilities in North America expected to be closed by the end of 2006 recorded in cost of products sold and $1 million for retention benefits. The charge of $9 million was partially offset by a gain of $3 million from the sale of assets previously written off. In addition, the Company recorded $21 million in research and development related to the up-front payments for two licensing agreements. The Company also reported $1 million for a milestone payment received related to a developmental project sold in previous years.

In the second quarter of 2003, the Company recorded $25 million of pre-tax charges related to the rationalization of manufacturing facilities, and $4 million related to relocation expenses. The charges related to the rationalization of its manufacturing facilities include $13 million related to termination benefits for workforce reductions of approximately 430 manufacturing employees in the Pharmaceuticals segment and downsizing and streamlining of worldwide manufacturing operations, $10 million of accelerated depreciation for certain manufacturing facilities in North America expected to be closed by the end of 2006 recorded in cost of products sold, $1 million for asset impairments recorded in cost of products sold and $1 million for retention benefits. The charge of $25 million was offset by an adjustment to prior period restructuring reserves of $24 million due to higher than anticipated recovery on assets previously written off as restructuring, and a reduction of estimated separation expenses. In addition, the Company recorded $1 million of income related to a reduction of estimated divestiture liabilities.

In the first quarter of 2003, the Company recorded a pre-tax charge of $12 million, related to termination benefits for workforce reductions of approximately 340 manufacturing employees in the Pharmaceuticals segment and downsizing and streamlining of worldwide manufacturing operations. In addition, the Company recorded $10 million in cost of products sold for asset impairments and $4 million in cost of products sold for accelerated depreciation of certain manufacturing facilities in North America expected to be closed by the end of 2004.

In the third quarter of 2002, the Company recorded pre-tax charges of $79 million related to the reduction or elimination of non-strategic research efforts as well as the consolidation of research facilities. Of this charge, $41 million relates to termination benefits for approximately 500 employees dedicated to drug discovery. The remaining $38 million relates to lease termination and facility remediation. This charge was offset by an adjustment to prior period restructuring reserves of $90 million, of which $56 million was due to reduced estimates of separation costs, $22 million was due to cancellation of projects previously provided for, and $12 million was due to higher than anticipated proceeds on sale of facilities. In addition, $17 million of inventory relating to these adjustments was included in cost of products sold.

In the second quarter of 2002, the Company recorded a pre-tax charge of $57 million related to termination benefits for workforce reductions and downsizing and streamlining of worldwide operations. Of this charge, $30 million related to employee termination benefits for approximately 540 employees. The remaining $27 million related to asset write-downs for the closure of a manufacturing facility in Puerto Rico and other related expenses. Severance actions resulted from 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 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.

In the first quarter of 2002, an adjustment to prior year reserves of $1 million was made to reflect reduced estimates of separation costs.

BRISTOL-MYERS SQUIBB COMPANY

NOTES TO RESTATED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 3. Restructuring and Other Items (Continued)

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

	Employee Termination Liability	Other Exit Cost Liability	Total
		(dollars in millions)	
Balance at December 31, 2001	$ 243	$ 41	$ 284
Charges	71	38	109
Spending	(155)	(29)	(184)
Changes in estimate	(92)	(8)	(100)
Balance at December 31, 2002	67	42	109
Charges	34		34
Spending	(46)	(32)	(78)
Changes in estimate	(2)	(1)	(3)
Balance at September 30, 2003	$ 53	$ 9	$ 62

Note 4. 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 September 30,		Nine Months Ended September 30,	
	Restated 2003	Restated 2002	Restated 2003	Restated 2002

	(in millions, except per share data)			
Earnings from Continuing Operations	$ 906	$ 310	$ 2,600	$ 1,640
Discontinued Operations:				
Net gain on disposal		18		32
Net Earnings	$ 906	$ 328	$ 2,600	$ 1,672
Basic:				
Average Common Shares Outstanding	1,937	1,936	1,936	1,936
Earnings from Continuing Operations	$ .47	$ .16	$ 1.34	$ .85
Discontinued Operations:				
Net gain on disposal		.01		.02
Net Earnings	$ .47	$ .17	$ 1.34	$ .87
Diluted:				
Average Common Shares Outstanding	1,937	1,936	1,936	1,936
Incremental Shares Outstanding Assuming the Exercise of Dilutive Stock Options	7	5	6	7
	1,944	1,941	1,942	1,943
Earnings from Continuing Operations	$ .47	$ .16	$ 1.34	$ .84
Discontinued Operations:				
Net gain on disposal		.01		.02
Net Earnings	$ .47	$ .17	$ 1.34	$ .86

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 116 million for the three and nine month periods ended September 30, 2003 and 124 million for the three and nine month periods ended September 30, 2002.

BRISTOL-MYERS SQUIBB COMPANY

NOTES TO RESTATED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 5. Goodwill

The changes in the carrying amount of goodwill for the year ended December 31, 2002 and the nine months ended September 30, 2003, were as follows:

	Pharmaceuticals Segment	Nutritionals Segment	Other Healthcare Segment	Total
		(dollars in millions)		
Balance as of December 31, 2001	$ 4,810	$ 119	$ 190	$ 5,119
Purchase accounting adjustments related to recent acquisitions:				
Change in exit cost estimate	(165)			(165)
Purchase price and allocation adjustments	(117)	(1)		(118)
Balance as of December 31, 2002 (restated) and September 30, 2003 (restated)	$ 4,528	$ 118	$ 190	$ 4,836

In accordance with SFAS No. 142, which the Company adopted in January 2002, goodwill was tested for impairment upon adoption of the standard and is required to be tested annually thereafter. The Company completed the assessment upon adoption, which indicated no impairment of goodwill. The Company uses a two-step process in testing for goodwill impairment. 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. The Company has completed its 2003 annual goodwill impairment assessment, which indicated no impairment of goodwill.

Note 6. Intangible Assets

As of September 30, 2003 and December 31, 2002, intangible assets consisted of the following:

	September 30, 2003	December 31, 2002
	(dollars in millions)	
Patents / Trademarks	$ 280	$ 214
Licenses	221	554
Technology	1,783	1,783

	2,284	2,551
Accumulated Amortization	502	647
Net Carrying Amount	$ 1,782	$ 1,904

Amortization expense for intangible assets (the majority of which is included in cost of products sold) for the three months ended September 30, 2003 and 2002 was $58 million and $66 million, respectively, and for the nine months ended September 30, 2003 and 2002 was $176 million and $198 million, respectively. Expected amortization expense through 2008 related to the current balance of intangible assets is as follows:

	(dollars in millions)
For the year ended December 31, 2003	$ 227
For the year ended December 31, 2004	202
For the year ended December 31, 2005	202
For the year ended December 31, 2006	199
For the year ended December 31, 2007	198
For the year ended December 31, 2008	193

BRISTOL-MYERS SQUIBB COMPANY

NOTES TO RESTATED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 7. Alliances and Investments

ImClone

The Company has a commercialization agreement that expires in 2018 with ImClone, a biopharmaceutical company focused on developing targeted cancer treatments, for the codevelopment and copromotion of ERBITUX* in the United States, Canada and Japan. In February 2004, the FDA approved the Biologics License Application (BLA) for ERBITUX* for use in combination with irinotecan in the treatment of patients with Epidermal Growth Factor Receptor (EGFR) expressing, metastatic colorectal cancer who are refractory to irinotecan-based chemotherapy and for use as a single agent in the treatment of patients with EGFR expressing, metastatic colorectal cancer who are intolerant to irinotecan-based chemotherapy. In accordance with the terms of the agreement, the Company paid ImClone $200 million, of which $140 million was paid in March 2002 and $60 million was paid in March 2003. The Company paid $250 million in March 2004 as a milestone payment for the initial approval of ERBITUX*. An additional $250 million is payable upon achievement of a second milestone. Under the agreement, ImClone will receive a distribution fee based on a flat rate of 39% of product revenues in North America.

With respect to the $200 million of milestone payments the Company paid ImClone in 2002 and 2003, $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 2003 and 2002, the Company recorded $7 million and $7 million, respectively, of net loss for its share of ImClone s losses. For the nine months ended September 30, the Company has recorded a net loss of $33 million in 2003 and $31 million in 2002 for its share of ImClone s losses. This amount includes an adjustment of $7 million of income to the $12 million net loss contingency the Company recorded in the first quarter of 2003, related to ImClone s restatement of 2001 results and final reporting of 2002 full year and 2003 first quarter results. The Company records its share of the results in equity in net income of affiliates in the consolidated statement of earnings.

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.

As of September 30, 2003, the Company s total equity investment in ImClone was $70 million and the market value of the Company s investment in ImClone was approximately $560 million. On a per share basis, the carrying value of the ImClone investment and the closing market price of the ImClone shares as of September 30, 2003 were $4.83 and $38.93, respectively.

Sanofi-Synthelabo

The Company has agreements with Sanofi for the codevelopment and cocommercialization of AVAPRO/AVALIDE* (irbesartan), an angiotensin II receptor antagonist indicated for the treatment of hypertension, and PLAVIX* (clopidogrel), a platelet aggregation 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 a single 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 United States, 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, amounting to $108 million and $58 million for the three months ended September 30, 2003 and 2002, respectively, and $230 million and $199 million for the nine months ended September 30, 2003 and 2002, respectively. For the three months ended September 30, 2003 and 2002, the Company recorded sales in this territory and in comarketing countries (Germany, Italy, Spain and Greece) of $876 million and $565 million, respectively, and $2,186 million and $1,741 million for the nine months ended September 30, 2003 and 2002, respectively.

Sanofi acts as the operating partner for the territory covering Europe and Asia and owns the majority financial controlling interest in this territory. In 2003, the Company accounts for the investment in partnership entities in this territory under the equity method and records its equity share of net income in the consolidated statement of earnings. The Company recorded its share of equity earnings in this territory of $61 million and $35 million for the three months ended September 30, 2003 and 2002, respectively, and $157 million and $91 million for the nine months ended September 30, 2003 and 2002, respectively.

BRISTOL-MYERS SQUIBB COMPANY

NOTES TO RESTATED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 7. Alliances and Investments (Continued)

In 2001, the Company and Sanofi formed an alliance for the copromotion of irbesartan, as part of which the Company contributed the irbesartan distribution rights in the United States and Sanofi paid the Company a total of $350 million in 2002 and 2001. The Company accounts for this transaction as a sale of an interest in a license and defers and amortizes the $350 million into income over the expected useful life of the license, which is approximately eleven years. The Company amortized into other income $8 million in each of the three-month periods ended September 30, 2003 and 2002 and $24 million in each of the nine-month periods ended September 30, 2003 and 2002.

Otsuka

The Company has a worldwide commercialization agreement with Otsuka Pharmaceutical Co., Ltd. (Otsuka), to codevelop and copromote ABILIFY* (aripiprazole) for the treatment of schizophrenia. The Company began copromoting the product with Otsuka in the United States and Puerto Rico in November 2002. The Company will also copromote the product in several European countries if marketing approval is received from the European authorities. The Company records alliance revenue for its 65% share of the net sales in these copromotion countries as Net Sales, and records all of its expenses related to the product. The Company also has an exclusive right to sell ABILIFY* in a number of countries in Europe, Latin America, and Asia. In these countries, as sales commence, the Company will record 100% of the net sales and related cost of sales. The Company recorded revenue for ABILIFY* of $101 million for the three months ended September 30, 2003 and $203 million for the nine months ended September 30, 2003.

Note 8. Divestitures and Discontinued Operations

Divestitures

During the first nine months of 2002, the Company completed the sale of two branded products resulting in a pre-tax gain of $30 million.

Discontinued Operations

Discontinued operations in the three and nine months ended September 30, 2002 consisted of an after-tax adjustment of $18 million and $32 million, respectively, to increase the gain on the sale of Clairol as a result of lower than expected post-closing costs.

BRISTOL-MYERS SQUIBB COMPANY

NOTES TO RESTATED CONSOLIDATED FINANCIAL STATEMENTS

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Note 9. Business Segments

The Company has four reportable segments Pharmaceuticals, Oncology Therapeutics Network (OTN), Nutritionals, and Other Healthcare. The Pharmaceuticals segment is comprised of the global pharmaceutical and international (excluding Japan) consumer medicines businesses. The OTN segment is a specialty distributor of anticancer medicines and related products. OTN, which was previously included in the Pharmaceuticals segment, met the quantitative thresholds of a reportable segment. Accordingly, prior periods have been reclassified to conform with current year presentations. 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 (United States and Japan) businesses.

	Three Months Ended September 30,				Nine Months Ended September 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	
	(dollars in millions)							
	Restated 2003	Restated 2002	Restated 2003	Restated 2002	Restated 2003	Restated 2002	Restated 2003	Restated 2002
Pharmaceuticals	$ 3,847	$ 3,182	$ 1,205	$ 836	$ 10,843	$ 9,418	$ 3,318	$ 2,606
Oncology Therapeutics Network	574	494	6	3	1,652	1,368	14	12
Nutritionals	518	453	155	130	1,497	1,367	399	398
Other Healthcare	433	395	115	109	1,237	1,142	298	312
Total Segments	5,372	4,524	1,481	1,078	15,229	13,295	4,029	3,328
Corporate/Other			(120)	(971)			(258)	(1,204)
Continuing Operations	$ 5,372	$ 4,524	$ 1,361	$ 107	$ 15,229	$ 13,295	$ 3,771	$ 2,124

Corporate/Other principally consists of interest expense, interest income, certain administrative expenses and allocations to the segments. In the nine months ended September 30, 2003, Pharmaceuticals and Corporate/Other include the following items: Pharmaceuticals $21 million of income from a vitamins litigation settlement, $35 million of accelerated depreciation expense for facilities expected to be closed by the end of 2006, $11 million of asset impairment charges, $11 million of relocation expenses, and $2 million of retention benefits; Corporate/Other $45 million of income from litigation settlements and the reimbursement of patent defense costs, $1 million of income related to the revision of estimates of certain divestiture liabilities, $27 million of income related to adjustments of prior period restructuring reserves and $1 million of income for a milestone payment received related to a developmental project sold in previous years, partially offset by expense of $34 million

related to termination benefits for workforce reductions and downsizing and streamlining of worldwide manufacturing operations, and $21 million in up-front payments for two licensing agreements.

In the nine months ended September 30, 2002, Pharmaceuticals and Corporate/Other include the following items: Pharmaceuticals $167 million of in-process research and development charges primarily related to milestone payments to ImClone; Corporate/Other $659 million of expense primarily for BUSPAR and TAXOL® litigation settlements, $379 million pre-tax asset impairment charge for the write-down of the Company s investment in ImClone, $79 million pre-tax restructuring charge related to work force reductions and facility closures in the Company s Pharmaceutical Research Institute, an additional $3 million charge of which $2 million is in cost of products sold, offset by $90 million of income related to an adjustment to prior period restructuring reserves due to lower than anticipated separation and other exit payments and the cancellation of facility closures, primarily in the manufacturing network, $17 million of income related to the reversal of prior period restructuring liabilities in cost of products sold, and a $30 million gain on the sale of two branded products.

BRISTOL-MYERS SQUIBB COMPANY

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Note 10. Other Expenses, Net

The components of other expense, net are:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	Restated 2003	Restated 2002	Restated 2003	Restated 2002
	(dollars in millions)			
Interest expense	$ 48	$ 87	$ 207	$ 287
Interest income	(15)	(22)	(47)	(63)
Foreign exchange transaction losses	44	17	10	28
Other, net	2	(42)	7	(124)
Other Expense, net	$ 79	$ 40	$ 177	$ 128

Interest expense is primarily related to the $5.0 billion debt issuance in conjunction with the DuPont and ImClone transactions. In addition, interest expense was reduced by net interest-rate swap gains of $33 million and $8 million for the three months ended September 30, 2003 and 2002, respectively and $79 million and $8 million for the nine months ended September 30, 2003 and 2002, respectively. Interest income relates primarily to cash, cash equivalents and investments in marketable securities.

Note 11. Legal Proceedings and Contingencies

Information in this Note 11 pertaining to legal proceedings and contingencies has been updated for events and developments occurring subsequent to the filing of the original Form 10-Q through the filing on March 15, 2004 of the Company s 2003 Form 10-K. This Amendment No. 1 to the Company s Quarterly Report on Form 10-Q/A for the quarterly period ended September 30, 2003 has not been updated to reflect any events or developments occurring subsequent to March 15, 2004.

Various lawsuits, claims, proceedings and investigations 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. These matters involve antitrust, securities, patent infringement, the Employee Retirement Income Security Act of 1974, as amended (ERISA), pricing, sales and marketing practices, environmental, health and safety matters,

product liability and insurance coverage. The most significant of these matters are described below.

In the fourth quarter of 2003, the Company established reserves for liabilities of $250 million, comprised of $150 million in relation to wholesaler inventory issues and certain other accounting matters as discussed below under Other Securities Matters, and $100 million in relation to pharmaceutical pricing and sales and marketing practices as discussed below under Pricing, Sales and Promotional Practices Litigation and Investigations. It is not possible at this time to reasonably assess the final outcome of these matters. In accordance with GAAP, the Company has determined that the above amounts represent minimum expected probable losses with respect to these groups of matters. Eventual losses related to these matters may exceed these reserves, and the further impact of either one of these groups of matters could be material. The Company does not believe that the top-end of the range for these losses can be estimated. With the exception of the above accruals and those for TAXOL®, BUSPAR, environmental and product liability proceedings, the Company has not established reserves for the matters described below. There can be no assurance that there will not be an increase in the scope of these matters or that any future lawsuits, claims, proceedings or investigations will not be material. Management continues to believe, as previously disclosed, that during the next few years, the aggregate impact, beyond current reserves, of these and other legal matters affecting the Company is reasonably likely to be material to the Company s results of operations and cash flows, and may be material to its financial condition and liquidity.

PLAVIX* Litigation

The Company s U.S. territory partnership under its alliance with Sanofi is a plaintiff in two pending patent infringement lawsuits instituted in the U.S. 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). Similar proceedings involving PLAVIX* also have been instituted outside the United States.

The suits were filed on March 21, 2002 and May 14, 2002, respectively, and are based on U.S. Patent No. 4,847,265, a composition of matter patent, 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

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Note 11. Legal Proceedings and Contingencies (Continued)

secondary ischemic event. The plaintiffs later withdrew Patent No. 5,576,328 from the lawsuit. Plaintiffs infringement position is based on defendants filing of their Abbreviated New Drug Application (ANDA) with the FDA, seeking approval to sell generic clopidogrel prior to the expiration of the composition of matter patent in 2011. The defendants responded by alleging that the patent is invalid and/or unenforceable. The cases were consolidated for discovery, and fact discovery closed on October 15, 2003.

Teva Pharmaceuticals USA, or Teva, a generic drug manufacturer, has filed an ANDA with the FDA claiming that Patent No. 5,576,328 relating to PLAVIX* is invalid and that two others will not be infringed by Teva. None of these patents is involved in the pending patent infringement litigation involving PLAVIX*. The Teva filing does not challenge the patent at issue in the PLAVIX* litigation and therefore is not expected to have any impact on that litigation; nor does it appear that Teva intends to commercialize a generic form of PLAVIX* prior to the expiration or termination of the patent at issue in the litigation, although there can be no assurance that this will continue to be the case.

Net sales of PLAVIX* were approximately $2.5 billion in 2003 and are expected to grow substantially over the next several years. The Company anticipates that this revenue growth will be an important factor in offsetting expected decreases in sales of the Company s other products that recently have or will experience exclusivity losses during this period.

Currently, the Company expects PLAVIX* to have market exclusivity in the United States until 2011. If the composition of matter patent for PLAVIX* is found not infringed, invalid and/or unenforceable at the district court level, the FDA could then approve the defendants ANDAs to sell generic clopidogrel, and generic competition for PLAVIX* could begin, before the Company has exhausted its appeals. Such generic competition would likely result in substantial decreases in the sales of PLAVIX* in the United States.

Although the plaintiffs intend to vigorously pursue enforcement of their patent rights in PLAVIX*, it is not possible at this time reasonably to assess the outcome of these lawsuits, or, if the Company were not to prevail in these lawsuits, the timing of potential generic competition for PLAVIX*. However, if such generic competition were to occur, the Company believes it is very unlikely to occur before sometime in the year 2005. It also is not possible reasonably to estimate the impact of these lawsuits on the Company. However, loss of market exclusivity of PLAVIX* and the subsequent development of generic competition would be material to the Company s sales of PLAVIX* and results of operations and cash flows and could be material to its financial condition and liquidity.

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 Company has filed a motion for partial judgment in its favor based upon the pleadings. The plaintiff has opposed the motion, in part by seeking again to amend its complaint, including another attempt to expand the proposed class period. The court has not ruled on the Company s motion to dismiss nor the plaintiff s motion for leave to amend. Discovery is ongoing. 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.

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 suits. The suits variously alleged violations of federal securities laws and regulations in

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Note 11. Legal Proceedings and Contingencies (Continued)

connection with three different matters: (1) VANLEV (as discussed above), (2) sales incentives and wholesaler inventory levels, and (3) 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. Plaintiffs filed a consolidated class action complaint on April 11, 2003 against the Company and certain current and former officers alleging a class period of October 19, 1999 through March 10, 2003. The consolidated class action complaint alleges violations of federal securities laws in connection with, among other things, the Company s investment in and relationship with ImClone and ImClone s product, ERBITUX*, and certain accounting issues addressed in the 2002 Restatement, including issues related to wholesaler inventory and sales incentives, the establishment of reserves, and accounting for certain asset and other sales. The plaintiffs seek compensatory damages, costs and expenses. On August 1, 2003, the Company moved to dismiss the consolidated class action complaint. The plaintiffs have opposed the Company s motion to dismiss and the Company has replied. The motion remains pending before the court. Discovery in this matter is stayed pursuant to the Private Securities Litigation Reform Act. In addition, an action was filed in early October 2003, in New York State Court, making similar factual allegations and asserting a variety of claims including, among others, common law fraud and negligent misrepresentation. No discovery has been taken in this matter. On January 9, 2004, the Company moved to dismiss the complaint.

Beginning in October 2002, a number of the Company s current and former officers and directors were named as defendants in three shareholder derivative suits pending in the U.S. District Court for the Southern District of New York. A number of the Company s current and former officers and directors were named as defendants in three shareholder derivative suits filed during the period March 2003 through May 2003 in the U.S. District Court for the District of New Jersey. In July 2003 the U.S. District Court for the District of New Jersey ordered the three shareholder derivative lawsuits that were filed in that court transferred to the U.S. District Court for the Southern District of New York. Subsequently, the U.S. District Court for the Southern District of New York ordered all six federal shareholder derivative suits consolidated. Plaintiffs have filed a consolidated, amended, verified shareholder complaint against certain members of the board of directors, current and former officers and PricewaterhouseCoopers (PwC), the Company s independent auditors. The Company is a nominal defendant. The consolidated amended complaint alleges, among other things, violations of federal securities laws and breaches of fiduciary duty by certain individual defendants in connection with the Company s conduct concerning, among other things: safety, efficacy and commercial viability of VANLEV (as discussed above); the Company s sales incentives to certain wholesalers and the inventory levels of those wholesalers; the Company s investment in and relations with ImClone and ImClone s product ERBITUX*; and alleged anticompetitive behavior in connection with BUSPAR and TAXOL®. The lawsuit also alleges malpractice (negligent misrepresentation and negligence) by PwC. The plaintiffs seek restitution and rescission of certain officers and directors compensation and alleged improper insider trading proceeds; injunctive relief; fees, costs and expenses; contribution from certain officers for alleged liability in the consolidated securities class action pending in the U.S. District Court for the Southern District of New York (as discussed above); and contribution and indemnification from PwC. No discovery has been taken in this matter. On December 19, 2003, the Company moved to dismiss the consolidated amended complaint. Two similar actions are pending in New York State court. Plaintiffs seek equitable relief, damages, costs and attorneys fees.

The SEC and the U.S. Attorney s Office and a grand jury for the District of New Jersey are investigating the activities of the Company and certain current and former members of the Company s management in connection with the wholesaler inventory issues referenced above and certain other accounting issues. The Company is cooperating with these investigations.

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 civil and/or criminal claims against the Company and/or current or

former members of the Company s management. 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 the first quarter of 2003, the Company and others were named as defendants in five class actions brought under ERISA in the U.S. District Courts for the Southern District of New York and the District of New Jersey. These actions have been consolidated in the Southern District of New York under the caption *In re Bristol-Myers Squibb Co. ERISA Litigation*, 02 CV 10129. An Amended Consolidated Complaint alleging a class period of January 1, 1999 through March 10, 2003, was served on August 18, 2003. The Amended Consolidated Complaint was brought on behalf of four named plaintiffs and a putative class consisting of all participants in the Bristol-Myers Squibb Company Savings and Investment Program (Savings Plan)-and their beneficiaries for whose benefit the Savings Plan held and/or acquired Company stock at any time during the class period (excluding the defendants, their heirs, predecessors, successors and assigns). The named defendants are the Company, the Bristol-Myers Squibb Company Savings

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Note 11. Legal Proceedings and Contingencies (Continued)

Plan Committee (Committee), thirteen individuals who presently serve on the Committee or who served on the Committee in the recent past, Charles A. Heimbold, Jr. and Peter R. Dolan (the past and present Chief Executive Officer, respectively, of the Company). The Amended Consolidated Complaint generally alleges that the defendants breached their fiduciary duties under ERISA during the class period, by, among other things, continuing to offer the Company Stock Fund and Company stock as investment alternatives under the Savings Plan; continuing to invest Company matching contributions in the Company Stock Fund and Company stock; and failing to disclose that the investments in Company stock were (allegedly) imprudent. The Savings Plan s purchases of Company stock after January 1, 1999 are alleged to have been transactions prohibited by ERISA. Finally, Defendants Heimbold and Dolan are alleged to have breached their fiduciary duties under ERISA by failing to monitor the actions of the Committee. These ERISA claims are predicated upon factual allegations similar to those raised in Other Securities Matters above, concerning, among other things: safety, efficacy and commercial viability of VANLEV; the Company s sales incentives to certain wholesalers and the inventory levels of those wholesalers; the Company s investment in and relations with ImClone and ImClone s product ERBITUX*; and alleged anticompetitive behavior in connection with BUSPAR and TAXOL®.

There has not been any significant discovery. On October 2, 2003, the Company and all other defendants moved to dismiss the Amended Consolidated Complaint. The plaintiffs have opposed the motion to dismiss, and the defendants have replied. It is not possible at this time reasonably to predict the final outcome or reasonably to estimate the possible loss or range of loss with respect to the consolidated litigation. If the Company were not to prevail in final, non-appealable determinations of these matters, the impact could be material.

Pricing, Sales and Promotional Practices Litigation and Investigations

The Company, together with a number of other pharmaceutical manufacturers, is a defendant in several private class actions and in actions brought by the Nevada and Montana Attorneys General and the Counties of Suffolk, Westchester and Rockland, New York that are pending in federal and state courts relating to the pricing of certain Company products. The federal cases have been consolidated for pre-trial purposes under the caption *In re Pharmaceutical Industry Average Wholesale Price Litigation*, MDL No. 1456 in the U.S. District Court for the District of Massachusetts (AWP Multidistrict Litigation).

On June 18, 2003, the Court in the AWP Multidistrict Litigation granted the private plaintiffs motion for leave to file an amended Master Consolidated Complaint (Amended Master Complaint). The Amended Master Complaint contains two sets of allegations against the Company. First, it alleges that the Company s and many other pharmaceutical manufacturers reporting of prices for certain drug products (20 listed drugs in the Company s case) had the effect of falsely overstating the Average Wholesale Price (AWP) published in industry compendia, which in turn improperly inflated the reimbursement paid to medical providers and others who prescribed and administered those products. Second, it alleges that the Company and certain other defendant pharmaceutical manufacturers conspired with one another in a program called the Together Rx Card Program to fix AWPs for certain drugs made available to consumers through the Program. The Amended Master Complaint asserts claims under the federal RICO and antitrust statutes and state consumer protection and fair trade statutes.

The Amended Master Complaint is brought on behalf of two main proposed classes, that are further divided into sub-classes: (1) all persons or entities who, from 1991 forward, (a) directly paid any portion of the price of a listed drug, which price was calculated with reference to AWP or

(b) contracted with a pharmacy benefit manager to provide others with the drugs listed in the Amended Consolidated Complaint; and (2) all persons or entities who, from 2002 forward, paid or reimbursed any portion of the purchase price of a drug covered by the Together Rx Card Program based in whole or in part on AWP.

The Company and the other defendants moved to dismiss the Amended Master Complaint on the grounds it fails to state claims under the applicable statutes. These motions were denied on February 24, 2004, although the Court dismissed one of the plaintiffs claims for failure to plead a cognizable RICO enterprise . Accordingly, the Company and the other defendants will be required to answer the Amended Master Complaint. In addition, the Company has been engaged in and will continue to engage in discovery in private class actions in the AWP Multidistrict Litigation.

The Nevada and Montana Attorneys General complaints assert claims similar to those in the Amended Master Complaint under state law, but also assert claims in the name of their respective States for alleged violations of state Medicaid fraud statutes. The Nevada and Montana Attorneys General cases were originally commenced in their respective state courts but were later removed to the AWP Multidistrict Litigation. Each Attorney General moved to have its case remanded to state court on the ground that there is no federal jurisdiction. On June 11, 2003, the Court in the AWP Multidistrict Litigation ruled that the Nevada action, in which the Company is named, should be remanded to state court on the ground that not all defendants had joined in the original removal petition. The case is now proceeding in Nevada state court. The Court retained jurisdiction over the Montana case. The defendants moved to dismiss the Montana and a second Nevada case, in which the Company is not named. Oral argument was heard on that motion on December 12, 2003, but no ruling has issued.

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Note 11. Legal Proceedings and Contingencies (Continued)

Finally, the Company is a defendant in related state court proceedings commenced in New York, New Jersey, California, Arizona and Tennessee, in proceedings by the Attorney General of Pennsylvania and in federal court proceedings commenced by the Counties of Suffolk, Westchester and Rockland, New York (collectively, the New York Counties AWP cases). Those proceedings were transferred to the AWP Multidistrict Litigation for pre-trial purposes, although plaintiffs in the California, Arizona and New Jersey actions sought to remand their cases to the state courts. The California remand motions were denied, the Arizona remand motion was granted, and any other remand motions remain pending. The New York Counties AWP cases allege RICO claims similar to those made in the Amended Master Consolidated Complaint in the AWP Multidistrict Litigation, however, the claims are on behalf of the counties as contributors to New York State s Medicaid obligations. Defendants in the first-filed Suffolk County case have moved to dismiss the amended complaint in that action. Oral argument was heard on that motion on December 12, 2003, but no ruling has issued. With respect to the case remanded to Arizona state court, defendants have filed motions to dismiss or for a stay. A hearing on these motions is currently scheduled for June 10, 2004, with merits discovery stayed until then.

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 estimate possible loss or range of loss with respect to these cases. If the Company were not to prevail in final, non-appealable determinations of these litigations and investigations, the impact could be material.

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, sales and marketing practices, and Best Price reporting for drugs covered by Medicare and/or Medicaid. The requests for records have come from the U.S. 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, the Office of the Inspector General for the Office of Personnel Management in conjunction with the U.S. Attorney s Office for the Eastern District of Pennsylvania and several states. In addition, a request for information has come from the House Committee on Energy & Commerce in connection with an investigation that the Committee is currently conducting into Medicaid Best Price issues. Finally, the Company has received a civil investigative demand from the Attorney General for the State of Missouri relating to direct to consumer advertising for PRAVACHOL for the period of 2001-2003. The Company also received notice of a putative class action lawsuit involving the same issues, filed on February 23, 2004, in circuit court of Jackson County Missouri at Kansas City, captioned Richard Summers v. Bristol-Myers Squibb Company. The Company has not been served with this complaint.

On July 22, 2003, the Company announced that it had recently initiated an internal review of certain of its sales and marketing practices. That review focuses on whether these practices comply with applicable anti-kickback laws. It also includes an analysis of these practices with respect to compliance with (1) Best Price reporting and rebate requirements under the Medicaid program and certain other U.S. governmental programs, which reference the Medicaid rebate program and (2) applicable FDA requirements. The Company has met with representatives of the U.S. Attorney s Office for the District of Massachusetts to discuss the review. The Company has received a subpoena from the U.S. Attorney s Office for the District of Massachusetts. The Company s internal review is expected to continue until resolution of pending governmental investigations of related matters.

The Company is producing documents and actively cooperating with these investigations, which could result in the assertion of civil and/or criminal 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, administrative remedies and/or liability for additional rebate

amounts. If the Company were not to prevail in final, non-appealable determinations of these litigations and investigations, the impact could be material.

CTLA4Ig Litigation

On August 17, 2000, Repligen Corporation (Repligen) and the University of Michigan instituted a lawsuit against the Company in the U.S. District Court for the Eastern District of Michigan. The suit alleged that Dr. Craig Thompson, formerly a professor at the University of Michigan, had been involved in a collaboration with certain of the Company s scientists, and that Thompson s activity in the collaboration made him a rightful inventor on several patents that the Company later obtained covering soluble forms of CTLA4 and related methods of use. After conducting a trial, in September 2003 the District Court ruled that Repligen and the University of Michigan had failed to prove that Thompson made any inventive contribution to the patents in suit, and thus he was not entitled to be added as a sole or joint inventor on the Company s patents. Repligen and the University of Michigan appealed the District Court s decision to the U.S. Court of Appeals for the Federal Circuit.

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Note 11. Legal Proceedings and Contingencies (Continued)

ERBITUX* Litigation

On October 28, 2003, a complaint was filed by Yeda Research and Development Company Ltd. (Yeda) against ImClone Systems and Aventis Pharmaceuticals, Inc. in the U.S. District Court for the Southern District of New York. This action alleges and seeks that three individuals associated with Yeda should also be named as coinventors on U.S. Patent No. 6,217,866, which covers the therapeutic combination of any EGFR monoclonal antibody and anti-neoplastic agents, such as chemotherapeutic agents, for use in the treatment of cancer. If Yeda s action were successful, Yeda could be in a position to practice, or to license others to practice, the invention. This could result in product competition for ERBITUX* that might not otherwise occur. The Company, which is not a party to this action, is unable to predict the outcome at this stage in the proceedings.

Product Liability Litigation

The Company is a party to product liability lawsuits involving allegations of injury caused by the Company s pharmaceutical and over-the-counter medications. The majority of these lawsuits involve certain over-the-counter medications containing phenylpropanolamine (PPA), or the Company s SERZONE and STADOL NS prescription drugs. In addition to lawsuits, the Company also faces unfiled claims involving the same products.

PPA. In May 2000, Yale University published the results of its Hemorrhagic Stroke Project, which concluded that there was evidence of a suggestion that PPA may increase the risk of hemorrhagic stroke in a limited population. In November 2000, the FDA issued a Public Health Advisory and requested that manufacturers of PPA-containing products voluntarily cease manufacturing and marketing them. At that time, the only PPA-containing products manufactured or sold by the Company were COMTREX (liquid gel formulations only) and NALDECON. On or about November 6, 2000, the Company, as well as other manufacturers of PPA containing products, discontinued the manufacture and marketing of PPA containing products and allowed customers to return any unused product that they had in their possession.

In January 2001, the Company was served with its first PPA lawsuit. The Company currently is a defendant in approximately 148 personal injury lawsuits, filed on behalf of approximately 355 plaintiffs, in federal and state courts throughout the United States. The majority of these lawsuits involve multiple defendants. Among other claims, plaintiffs allege that PPA causes hemorrhagic and ischemic strokes, that the defendants were aware of the risk, failed to warn consumers and failed to remove PPA from their products. Plaintiffs seek compensatory and punitive damages. All of the federal cases have been transferred to the U.S. District Court for the Western District of Washington, *In re Phenylpropanolamine (PPA) Products Liability Litigation*, MDL No. 1407. The District Court has denied all motions for class certification and there are no class action lawsuits pending against the Company in this litigation.

On June 18, 2003, the District Court issued a ruling effectively limiting the plaintiffs claims to hemorrhagic and ischemic strokes. Rulings favorable for the defendants included the inadmissibility of expert testimony in cases alleging injuries occurring more than three days after ingestion of a PPA containing product and cases involving psychoses, seizures and cardiac injuries. The Company expects to be dismissed from additional cases in which its products were never used by the plaintiffs and where plaintiffs alleged injury occurred more than three days after ingestion of a PPA containing product or where a plaintiff suffered from cardiac injuries or psychoses.

SERZONE. SERZONE (nefazodone hydrochloride) is an antidepressant that was launched by the Company in May 1994 in Canada and in March 1995 in the United States. In December 2001, the Company added a black box warning to its SERZONE label warning of the potential risk of severe hepatic events including possible liver failure and the need for transplantation and risk of death. Within several months of the black box warning being added to the package insert for SERZONE, a number of lawsuits, including several class actions, were filed against the Company. Plaintiffs allege that the Company knew or should have known about the hepatic risks posed by SERZONE and failed to adequately warn physicians and users of the risks. They seek compensatory and punitive damages, medical monitoring, and refunds for the costs of purchasing SERZONE.

At present, the Company has 182 lawsuits, on behalf of 2,038 plaintiffs, pending against it in federal and state courts throughout the United States. Twenty-four of these cases are pending in New York state court and have been consolidated for pretrial discovery. In addition, there are approximately 652 alleged, but unfiled, claims of injury associated with Serzone. In August 2002, the federal cases were transferred to the U.S. District Court for the Southern District of West Virginia, *In Re Serzone Products Liability Litigation*, MDL 1477. Although discovery is still at a very early stage it appears that very few of these cases involve liver failure. In June 2003, the District Court dismissed the class claims in all but two of the class action complaints. Although a number of the class action complaints filed against the Company had sought the certification of one or more personal injury classes, the remaining class action complaints do not seek the certification of personal injury classes. On January 30, 2004, the court issued an order setting the hearing on class certification for October 20, 2004. In addition to the cases filed in the United States, there are three national class actions filed in Canada.

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Note 11. Legal Proceedings and Contingencies (Continued)

STADOL NS. STADOL NS was approved in 1992 by the FDA as an unscheduled opioid analgesic nasal spray. In February 1995 the Company asked the FDA to schedule STADOL NS as a Schedule IV, low potential for abuse, drug due to post-marketing reports suggestive of inappropriate use of the product. On October 31, 1997, it became a Schedule IV drug. Since 1997, the Company has received a number of lawsuits involving STADOL. In late 2002, the number of filed suits increased due to newly passed tort reform legislation, which became effective on January 1, 2003. Most, if not all, of the plaintiffs in these new suits had previously asserted claims against the Company for their alleged injuries.

The Company currently is a party in 51 cases pending, on behalf of a total of approximately 908 plaintiffs, in federal and state courts throughout the United States. Plaintiffs claim that the Company committed fraud on the FDA and wrongfully promoted STADOL NS as non-addictive. Further, plaintiffs allege that the Company failed to adequately warn of the addiction and dependency risk associated with the use of STADOL NS. In addition to these lawsuits, there are approximately 9,600 alleged and unfiled claims of which approximately 80 are active. The majority of the cases and claims are pending in Mississippi.

In addition to the cases filed in the United States, there are two class actions and one individual case filed in Canada.

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.

The Company intends to vigorously defend its product liability lawsuits and believes that the majority of these cases and claims are without merit. While it is not possible at this time to reasonably assess the final outcome of the Company s pending product liability lawsuits and unfiled claims with certainty, management is of the opinion that the ultimate disposition of these matters should not have a material adverse effect on the Company s financial position. The Company believes that it has adequate self-insurance reserves and commercially available excess insurance to cover potential loss related to its product liability cases and claims.

PLATINOL Litigation

On February 13, 2004, a class action complaint was filed by North Shore Hematology-Oncology Associates, P.C. against the Company in the U.S. District Court for the District of Columbia. This is a putative class action brought on behalf of direct purchasers of PLATINOL that alleges that the Company violated federal antitrust laws by maintaining a monopoly in the U.S. market. The allegations focus on the Company s actions

concerning U.S. Patent No. 5,562,925 (925 patent), including the procurement of the 925 patent, submission of information relating to the 925 patent for listing in the Orange Book, and initiation of previous lawsuits against potential generic manufacturers based on the 925 patent. Plaintiffs seek declaratory judgment and damages (including treble damages).

The Company markets PLATINOL under exclusive patent licenses from Research Corporation Technologies (RCT).

The Federal Trade Commission (FTC) also opened an investigation relating to PLATINOL. This matter was settled with the entry of a consent decree, which is in effect until April 14, 2013.

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.

TAXOL® Litigation

In 2000, 2001 and 2002, a number of putative class actions were brought against the Company, alleging antitrust, consumer protection and similar claims concerning the Company s actions to obtain and enforce patent rights relating to TAXOL®. A number of state attorneys general brought similar claims, and certain insurers asserted similar claims without filing suits. All of these matters have been settled, and those that required court approval had been given final approval by the supervising court. The total amount of the settlements was $144 million. Of that amount, $135 million was accrued in 2002. The remaining $9 million was accrued in 2003.

BRISTOL-MYERS SQUIBB COMPANY

NOTES TO RESTATED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 11. Legal Proceedings and Contingencies (Continued)

The FTC also opened an investigation relating to TAXOL®. This matter was settled with the entry of a consent decree, which is in effect until April 14, 2013.

An additional case based on the same allegations was brought by a small generic drug manufacturer in 2003. The Company moved to dismiss that case, and the court granted the motion in July 2003. The plaintiff sought reconsideration of this decision and was unsuccessful. The plaintiff has filed a notice of appeal in the U.S. Court of Appeals for the Seventh Circuit. It is not possible at this time reasonably to assess the final outcome of this suit or reasonably to estimate the possible loss or range of loss if the dismissal were reversed. If the dismissal were reversed, and if the Company were not to prevail in a final, non-appealable determination of the action, the impact could be material.

BUSPAR Litigation

In 2001, a number of putative class actions were brought against the Company, alleging antitrust, consumer protection and similar claims concerning the Company s actions to obtain and enforce patent rights relating to BUSPAR. A number of state attorneys general brought similar claims, and certain insurers, generic drug manufacturers and chain drug stores asserted similar claims. All of these matters have been settled, and those that required court approval have been given final approval by the supervising court. The total amount of the settlements was $551 million. Of that amount, $35 million was accrued in 2001, and $500 million was accrued in 2002. The remaining $16 million was accrued in 2003.

The FTC also opened an investigation relating to BUSPAR. This matter was settled with the entry of a consent decree, which is in effect until April 14, 2013.

Environmental Proceedings

The following discussion describes (1) environmental proceedings with a governmental authority which may involve potential monetary sanctions of $100,000 or more (the threshold prescribed by specific SEC rule), (2) a civil action or an environmental claim that could result in significant liabilities, (3) updates of ongoing matters, or the resolution of other matters, disclosed in recent public filings and (4) a summary of environmental remediation costs.

The preliminary results of an internal audit performed at the Company s facility in Hopewell, N.J. indicate that operations at the site s wastewater treatment plant and related discharges may not be in compliance with the New Jersey Water Pollution Control Act and its implementing regulations or the terms of the Company s discharge permits. The Company reported its findings to the New Jersey Department of Environmental Protection (NJDEP) in February 2004, and is currently engaged in settlement discussions with the State. None of the results of the audit suggest

that there has been any adverse impact to public health. The Company has taken, and will continue to take, corrective actions to address identified deficiencies and to prevent future occurrences.

In January 2004, NJDEP sent the Company and approximately five other companies an information request letter relating to a site in North Brunswick Township, N.J. where waste materials from E.R. Squibb & Sons (Squibb), a wholly owned subsidiary of BMS, may have been disposed of from the 1940s through the 1960s. Fill material containing industrial waste and heavy metals in excess of residential standards was discovered in Fall 2003 during an expansion project at the North Brunswick Township High School. The school board and the Township, who are the current owners of the site, are preparing to submit a workplan to the NJDEP and have asked the Company to contribute to the cost of remediation. The Company is in discussions with NJDEP, the site owners and other potentially responsible parties. The site investigation is ongoing, and no claims have been asserted against the Company.

In September 2003, the NJDEP issued an administrative enforcement Directive and Notice under the New Jersey Spill Compensation and Control Act requiring the Company and approximately 65 other companies to perform an assessment of natural resource damages and to implement unspecified interim remedial measures to restore conditions in the Lower Passaic River. The Directive alleges that the Company is liable because it historically sent bulk waste to the former Inland Chemical Company facility in Newark, New Jersey, and that releases of hazardous substances from this facility have migrated into Newark Bay and continue to have an adverse impact on the Lower Passaic River watershed. Subsequently, the U.S. Environmental Protection Agency (USEPA) also issued a notice letter under the U.S. Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) to numerous parties but not including BMS seeking their cooperation in a study of conditions in substantially the same stretch of the Passaic River that is the subject of NJDEP s Directive. USEPA estimates this study will cost $20 million. This study may also lead to clean-up actions, directed by USEPA and the Army Corps of Engineers.

BRISTOL-MYERS SQUIBB COMPANY

NOTES TO RESTATED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 11. Legal Proceedings and Contingencies (Continued)

The extent of any liability, under either the Directive or USEPA s notice letter, cannot yet be determined. Although the Company does not believe BMS has caused or contributed to any contamination in the Lower Passaic River watershed, the Company has informed NJDEP that it is willing to discuss their allegations against the Company. The NJDEP Directive states that if the responsible parties do not cooperate, the NJDEP may perform the damage assessment and restoration and take civil action to recover its remedial costs, treble damages for administrative costs, and penalties.

On October 16, 2003 the Michigan Department of Environmental Quality (MDEQ) sent the Company a Letter of Violation (LOV) alleging that, over an unspecified period of time, emissions from certain digestion tanks at Mead Johnson s Zeeland, Michigan facility exceeded an applicable limit in the facility s renewable operating air permit. The LOV requires the Company to take corrective action and to submit a compliance program report. Although MDEQ has not demanded fines or penalties, further enforcement action could result in penalties or injunctive relief. The Company is contesting the allegations in the LOV.

In July 2003, the NJDEP advised Squibb that it believed the Company violated the Clean Air Act by failing to comply with Prevention of Significant Deterioration requirements in connection with its replacement of a gas turbine at the Company s cogeneration facility at the New Brunswick, New Jersey facility in 1997. On December 3, 2003, the Company settled this matter with the NJDEP by signing an Administrative Consent Order, which requires the Company to submit a permit application creating a facility-wide emissions cap and to pay an administrative fine of approximately $28,000.

In May 2003, the Environmental Quality Board of Puerto Rico issued a notice to Bristol-Myers Squibb alleging five violations of the federal Resource Recovery and Conservation Act relating to recordkeeping or storage requirements for hazardous wastes at the Company s facility in Humacao. Based on its prior dealings with the EQB and the technical nature of the alleged violations, the Company believes that any penalties imposed will not be significant.

The Company is one of several defendants in a class action suit filed in superior court in Puerto Rico in February 2000 by residents alleging that air emissions from a government owned and operated wastewater treatment facility in Barceloneta have caused respiratory ailments and violated local air rules. The Company believes its wastewater discharges to the treatment facility are in material compliance with the terms of the Company s permit. The Company believes that this litigation will be resolved for an immaterial amount, nevertheless, this suit is still at an initial stage and, in the event of an adverse judgment, the Company s ultimate financial liability could be significantly greater than anticipated.

The Company is also responsible under various state, federal and foreign laws, including CERCLA, for certain costs of investigating or remediating contamination resulting from past industrial activity at the Company s current or former sites or at waste disposal or reprocessing facilities operated by third parties. The Company estimates these costs based on information obtained from the USEPA, the relevant agency, and/or studies prepared by independent consultants, including the total estimated costs for the site and the expected cost-sharing, if any, other potentially responsible parties (PRP), and the Company accrues liabilities when they are probable and reasonably estimable. The Company estimates its share of the total future costs for these sites is approximately $58 million which represents the sum of best estimates or, where no simple estimate can reasonably be made, estimates of minimums of such costs (without taking into account any potential recoveries from other

parties, which are not currently expected). The Company has paid less than $4 million (excluding legal fees) in each of the last five years for investigation and remediation of such matters, including liabilities under CERCLA and other on-site remediations.

Although it is not possible to predict with certainty the outcome of these environmental proceedings or the ultimate costs of remediation, the Company does not believe that any reasonably possible expenditures that the Company may incur in excess of existing reserves will have a material adverse effect on its business, financial position, or results of operations.

Indemnification of Officers and Directors

The Company s corporate by-laws require that, to the extent permitted by law, the Company shall indemnify its officers and directors against judgments, fines, penalties and amounts paid in settlement, including legal fees and all appeals, incurred in connection with civil or criminal actions or proceedings, as it relates to their services to the Company and its subsidiaries. The by-laws provide no limit on the amount of indemnification. Indemnification is not permitted in the case of willful misconduct, knowing violation of criminal law, or improper personal benefit. As permitted under the laws of the state of Delaware, the Company has for many years purchased directors and officers insurance coverage to cover claims made against the directors and officers. The amounts and types of coverage have varied from period to period as dictated by market conditions. There are various excess policies that provide additional coverage. The litigation matters and regulatory actions described above involve certain of the Company s current and former directors and officers, all of whom are covered by the aforementioned indemnity and if applicable, certain prior period insurance policies.

BRISTOL-MYERS SQUIBB COMPANY

NOTES TO RESTATED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 11. Legal Proceedings and Contingencies (Continued)

However, certain indemnification payments may not be covered under the Company s directors and officers insurance coverage. The Company cannot predict with certainty the extent to which the Company will recover from its insurers the indemnification payments made in connection with the litigation matters and regulatory actions described above.

On July 31, 2003, one of the Company s insurers, Federal Insurance Company, filed a lawsuit in New York Supreme Court against the Company and several current and former officers and members of the board of directors, seeking rescission, or in the alternative, declarations allowing Federal to avoid payment under certain Directors and Officers insurance policies and certain Fiduciary Liability insurance policies with respect to potential liability arising in connection with the matters described under the VANLEV Litigation, Other Securities Matters and ERISA Litigation sections above. No discovery has been taken in this matter. On October 3, 2003, another of the Company s insurers, SR International Business Insurance Co. Ltd. (SRI), informed the Company that it intended to try to avoid certain insurance policies issued to the Company on grounds of alleged material misrepresentation or non-disclosure, and that it had initiated arbitration proceedings in London, England. SRI has indicated that it intends to rely upon allegations similar to those described in the Other Securities Matters section above in support of its avoidance action. 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 matters. If the Company were not to prevail in final, non-appealable determinations of these matters, the impact could be material.

Note 12. Comprehensive Income (Loss)

	Foreign Currency Translation	Available for Sale Securities	Deferred Loss on Effective Hedges	Minimum Pension Liability Adjustment	Total Other Accumulated Comprehensive Loss
			(dollars in millions)		
Balance at December 31, 2002 (restated)	$ (724)	$ 1	$ (87)	$ (94)	$ (904)
Other comprehensive income (loss) (restated)	165	17	(72)		110
Balance at September 30, 2003 (restated)	$ (559)	$ 18	$ (159)	$ (94)	$ (794)

Note 13. Income Taxes

The effective income tax rate on earnings from continuing operations before minority interest and income taxes was 25.4% and 24.5% for the three and nine months ended September 30, 2003, respectively, compared to (245.8%) and 13.0% for the three and nine months ended September 30, 2002, respectively. The income tax rate for the three months ended September 30, 2002 was due primarily to low pre-tax income in the United States mainly as a result of the litigation and asset impairment charges, and an income tax benefit of $235 million due to the settlement of certain prior year tax matters and the determination by the Company as to the expected settlement of on-going tax litigation. During the nine months ended September 30, 2002, the Company also established valuation allowances of $171 million related to certain state net deferred tax assets, and state net operating loss and tax credit carryforwards. During the nine months ended September 30, 2003, the Company reversed $2 million of valuation allowances related to certain state net deferred tax assets and established additional valuation allowances of $60 million related to certain state net operating loss carryforwards. The Company does not believe that these assets are more likely than not to be realized in the future.

In 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 the United States. The Company believes that the reorganization transactions were generally tax-free both inside and outside the United States. 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 to reasonably 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 the impact could be material.

Note 14. Subsequent Events

Subsequent to September 30, 2003, the Company issued $1.2 billion of floating rate convertible debentures, maturing in 2023. These debentures are convertible into Company common stock at 24.2248 shares per $1,000 debenture ($41.28 per share), subject to increases up to a maximum of 38.7597 shares per $1,000 debenture based on increases in the market price of the stock above $41.28 per share, plus anti-dilution and certain other adjustments.

Report of Independent Accountants

To the Board of Directors

and Stockholders of

Bristol-Myers Squibb Company

We have reviewed the accompanying consolidated balance sheet of Bristol-Myers Squibb Company and its subsidiaries as of September 30, 2003, and the consolidated statements of earnings, comprehensive income and retained earnings and of cash flows for each of the nine-month periods ended September 30, 2003 and 2002. These 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.

Based on our review, we are not aware of any material modifications that should be made to the consolidated interim financial statements referred to above 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 consolidated balance sheet as of December 31, 2002, and the related 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 9, 2004, included in the Company s 2003 Form 10-K, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the condensed accompanying consolidated balance sheet as of December 31, 2002 is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

As discussed in Note 2, Restatement of Previously Issued Financial Statements, the Company has restated previously issued financial statements.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
November 3, 2003, except as to Notes 2, 9 and 11,

for which the date is March 9, 2004

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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 occurring subsequent to the filing of the original Form 10-Q, as well as to incorporate certain conforming changes.

Restatement of Previously Issued Financial Statements

Bristol-Myers Squibb Company (the Company) restated its consolidated balance sheet at December 31, 2002, and consolidated statements of earnings, cash flows, and comprehensive income and retained earnings for the years ended December 31, 2002 and 2001, and its financial statements for the first, second and third quarters of 2003, including comparable interim periods in 2002 (the 2003 Restatement). The restatement affected periods prior to 2001. The impact of the restatement on such prior periods is reflected as an adjustment to retained earnings as of January 1, 2001. The restatement is reported in the Company s Annual Report on Form 10-K for the year ended December 31, 2003 (2003 Form 10-K) and is reported in this Amendment No. 1 to the Company s Quarterly Report for the quarterly period ended September 30, 2003 and in amendments to the Company s Quarterly Reports on Form 10-Q/A for the quarterly periods ended March 31, 2003 and June 30, 2003. The 2003 Restatement (i) corrects certain of the Company s historical accounting policies to conform to U.S. generally accepted accounting principles (GAAP) and (ii) corrects certain errors made in the application of GAAP.

In late October 2002, the Company determined that certain of its sales to certain wholesalers for its U.S. pharmaceuticals business should be accounted for under the consignment sales accounting model and, accordingly, determined to restate its sales and earnings for sales to these wholesalers. Following that determination, 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. In March 2003, the Company completed the restatement of its financial statements for these items and restated its financial statements for the three years ended December 31, 2001, including the corresponding interim periods, and the first and second quarters of 2002, including comparable prior interim periods in 2001 (the 2002 Restatement).

After completing the 2002 Restatement, the Company continued to identify and implement actions to improve the effectiveness of its disclosure controls and procedures and internal controls over financial reporting. In connection with this effort, the Company (i) has substantially strengthened the organization and personnel of the senior financial and control functions, (ii) adopted more rigorous policies and procedures with respect to its balance sheet review process, (iii) focused its internal audit function on financial reporting controls, (iv) engaged a consultant to assist in the evaluation and documentation of certain financial reporting and disclosure processes throughout the Company and (v) engaged a consultant to assist in a comprehensive and detailed review of certain of the Company s tax reporting and accounting. In addition, at the request of the Company s Audit Committee, the Company s independent auditors performed more extensive procedures with respect to the Company s interim financial information during 2003 and, based on the auditors assessment of the Company s risk profile, expanded the scope and amount of field work to be performed for certain areas in connection with its audit of the Company for 2003. These actions contributed significantly to the Company identifying additional errors relating to prior periods not reflected in the 2002 Restatement. For a discussion of the individual restatement adjustments and the impact of such adjustments on the Company s previously issued financial statements, see Item 1. Restated Financial Statements Note 2. Restatement of Previously Issued Financial Statements, above and Item 8. Financial Statements Note 2. Restatement of Previously Issued Financial Statements for Years Ended December 31, 2002 and 2001 in the Company s 2003 Form 10-K.

In connection with their audits of the 2002 Restatement and the Company s consolidated financial statements for the year ended December 31, 2002, the Company s independent auditors, PricewaterhouseCoopers LLP (PwC), identified and communicated to the Company and its Audit Committee two material weaknesses (as defined under standards established by the American Institute of Certified Public Accountants (AICPA)) 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 addition, at that time, PwC identified and communicated to the Company and its Audit

Committee a reportable condition (as defined under standards established by the AICPA) relating to the Company s internal controls over its financial reporting for income taxes. In 2003, the Company dedicated substantial resources to improving its controls over its accounting and financial disclosure and reporting, and PwC has not identified material weaknesses in connection with their audit of the 2003 financial statements. In addition, the Company has devoted substantial resources towards remedying the reportable condition in relation to taxes. The Company also retained a consultant to assist in a comprehensive and detailed review of certain aspects of its tax accounting and reporting. The Company examined its financial

reporting for taxes in each significant jurisdiction where the Company or one of its subsidiaries was subject to tax. As a result of this review, a number of prior period errors were identified, which are reflected in the 2003 Restatement. In addition, the Company undertook a review to evaluate certain issues that had been raised concerning the manner in which the Company determined its provision for income taxes. The Company has determined that prior to 2000 there were certain inappropriate adjustments to tax contingency reserves made for the improper purpose of recording a provision for income taxes consistent with the Company s projected effective tax rate. In addition, there may have been inappropriate adjustments in 2001 and 2002. The Company has completed a review and has not been able to determine whether or not any of the errors relating to its tax contingency reserves being corrected in the restatement are related to inappropriate accounting. In connection with the audit of the Company s consolidated financial statements for the year ended December 31, 2003, PwC has advised the Company and its Audit Committee that the reportable condition in the income tax accounting area remains, and the Company expects to complete remediation of this reportable condition by the end of 2004.

Throughout the following Management s Discussion and Analysis of Financial Condition and Result of Operations, all referenced amounts for prior periods and prior period comparisons reflect the balances and amounts on a restated basis.

Revenue Recognition Under the Consignment Model

Historically, the Company recognized revenue for sales upon shipment of products to its customers. Under GAAP, revenue is recognized when substantially all the risks and rewards of ownership have transferred. In the case of certain transactions, the Company has determined that substantially all the risks and rewards of ownership do not transfer upon shipment for certain incentivized sales to two U.S. wholesalers, Cardinal Health, Inc. (Cardinal) and McKesson Corporation (McKesson) and, accordingly, such sales should be accounted for using the consignment model.

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 costs 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 Item 1. Restated Financial Statements Note 1. Basis of Presentation and New Accounting Standards, to the consolidated financial statements included in this Form 10-Q/A.

The Company determined that shipments of product to Cardinal and shipments of product to McKesson met the consignment model criteria set forth in the Company s revenue recognition policy as of July 1, 1999 and July 1, 2000, respectively, and, continued through December 2002 for McKesson and February 2003 for Cardinal. Accordingly, the consignment model was required to be applied to such shipments. All shipments to McKesson in the first nine months of 2003, other than those for the Oncology Therapeutics Network (OTN) business, a specialty distributor of anticancer medicines and products, and all shipments to Cardinal after February 2003, were accounted for as sales upon shipment.

The Company has determined that, although sales incentives were offered to other wholesalers and there was a buildup of inventories at such wholesalers in certain periods, the consignment model criteria set forth in the Company s revenue recognition policy were not met. Accordingly, the Company recognized revenue when the products were shipped to these wholesalers. The Company estimates that, generally, in aggregate, the inventory of pharmaceutical products held by these other U.S. pharmaceutical wholesalers in excess of or below approximately one month of supply in the case of the Company s exclusive products (including PLAVIX* and AVAPRO/AVALIDE*) and approximately two months 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 September 30, 2003.

The Company s estimates of inventories 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 a substantial buildup of wholesaler inventories in its U.S. pharmaceuticals business, and developed and subsequently undertook a plan to workdown 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 provided for these wholesalers to make specified levels of purchases and for the Company to offer specified levels of incentives through the first quarter of 2003 for McKesson and the third quarter of 2003 for Cardinal. With the exception of the OTN business, the workdown of inventories of its pharmaceutical products held by all U.S. pharmaceuticals wholesalers was substantially completed at the end of 2003.

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 wholesalers buying patterns and wholesaler inventory levels may not reflect underlying prescriber demand. The Company s policy is to allow wholesalers to purchase product on a limited basis after a price increase at the pre-increase price. For information on U.S. pharmaceuticals prescriber demand, reference is made to the tables within Business Segments under the Pharmaceuticals sections below, which sets forth a comparison of changes in net sales to the estimated total (both retail and mail order customers) prescription growth for certain of the Company s U.S. pharmaceutical products for each of the three months and nine months ended September 30, 2003 and 2002, respectively.

Three Months Results of Operations

Worldwide sales for the third quarter of 2003 increased 19% to $5,372 million from $4,524 million in 2002. This sales increase resulted from a 14% increase in volume, a 4% increase in foreign exchange and a 1% increase in price. Domestic sales increased 19% for the quarter, primarily as a result of continued strong prescription demand for key brands and the impact from the workdown of non-consignment wholesaler inventory in the third quarter of 2002. International sales increased 20%, including a 10% favorable foreign exchange impact. For the third quarter of 2003, $25 million of deferred revenue was reversed and recognized as sales (calculated net of sales discounts, rebates and other adjustments). The deferred revenue, recorded at gross invoice sales prices, related to the inventory of pharmaceutical products accounted for using the consignment model, was reduced to $83 million at September 30, 2003, compared to $110 million at June 30, 2003. The deferred revenue of $23 million and related consignment inventory for non-OTN products, recorded under the consignment model, will continue to be reflected on the Company s balance sheet until the related products are sold through to the wholesalers customers. The sell-through of these non-OTN products to the wholesalers customers was substantially complete by the end of 2003.

Third quarter 2003 earnings from continuing operations before minority interest and income taxes increased to $1,361 million from $107 million in 2002 primarily as a result of higher sales in 2003, litigation settlement and asset impairment charges recorded in 2002. Net earnings from continuing operations increased 192% to $906 million in 2003 compared to $310 million in 2002. The effective income tax rate on earnings from continuing operations before minority interest and income taxes increased to 25.4% in 2003 from an income tax benefit in 2002. This income tax benefit recorded in 2002 was primarily due to the settlement of prior year tax matters. Basic and diluted earnings per share from continuing operations increased 194% each to $.47 in 2003 from $.16 in 2002. Basic and diluted average shares outstanding for the third quarter were 1,937 million and 1,944 million, respectively, in 2003 compared to 1,936 million and 1,941 million, respectively, in 2002.

Business Segments

Pharmaceuticals

Sales for the Pharmaceuticals segment in the three months ended September 30, 2003 increased 21%, including a 5% favorable foreign exchange impact, to $3,847 million from $3,182 million in 2002. Domestic pharmaceutical sales increased 23% to $2,201 million in 2003 from $1,793 million in 2002, primarily due to increased sales of PLAVIX*, AVAPRO/AVALIDE*, the PRAVACHOL franchise and total revenue for ABILIFY*, and partly due to the impact on 2002 sales from the workdown of non-consignment wholesaler inventory.

International sales for the Pharmaceuticals segment increased 19% to $1,646 million in 2003, including an 12% favorable foreign exchange impact, from $1,389 million in 2002. Sales in Europe and the Middle East increased 24%, including a 16% favorable foreign exchange impact, as a result of strong growth in PRAVACHOL, TAXOL®, PLAVIX* and Analgesic products. Japan realized sales growth of 16%, including a

2% favorable foreign exchange impact, led by growth in TAXOL® sales.

Sales of selected products in the third quarter of 2003 were as follows:

The Company recorded revenue for ABILIFY* for the quarter of $101 million. The schizophrenia agent was introduced in the United States in November 2002 and has achieved more than a 6% weekly new prescription share of the U.S. antipsychotic market. The Company received approval for a Supplemental New Drug Application (sNDA) for ABILIFY* for maintaining stability in patients with schizophrenia, and has submitted a sNDA for the treatment of acute mania in patients with bipolar disorder to the U.S. Food and Drug Administration (FDA). ABILIFY* is being developed and marketed by the Company and its partner Otsuka Pharmaceutical Co., Ltd.

Worldwide sales of the PRAVACHOL franchise, which includes PRAVACHOL, a cholesterol-lowering agent and the Company s largest selling product, increased 16%, including a 6% favorable foreign exchange impact, to $787 million. In August 2003, PRAVIGARD PAC (Buffered Aspirin and Pravastatin Sodium) tablets were launched in the United States.

Sales of PLAVIX*, a platelet aggregation inhibitor, increased 57% to $694 million. Sales of AVAPRO/AVALIDE*, an angiotensin II receptor blocker for the treatment of hypertension, increased 48% to $182 million. AVAPRO/AVALIDE*, and PLAVIX* are cardiovascular products that were launched from the alliance between the Company and Sanofi-Synthelabo.

TAXOL® and PARAPLATIN, the Company s leading anti-cancer agents, had sales of $238 million and $245 million, respectively. International sales of TAXOL® increased 22%, including favorable foreign exchange of 12%, to $229 million, led by strong sales growth in Japan, while domestic sales increased 13% to $9 million. Generic competition for TAXOL® in Europe is expected to begin in the fourth quarter. PARAPLATIN worldwide sales increased 1% to $245 million.

Sales of SUSTIVA®, an anti-retroviral for the treatment of HIV/AIDS, were $95 million, a decrease of 14% over the prior year.

Sales for REYATAZ, a novel protease inhibitor for the treatment of HIV/AIDS launched in the United States in July 2003, were $39 million.

Sales of the GLUCOPHAGE* franchise increased 24% to $236 million. GLUCOPHAGE* IR sales remained at prior year levels at $36 million, while GLUCOVANCE* sales grew 44% to $91 million, and GLUCOPHAGE* XR (Extended Release) tablets sales grew 14% to $103 million. Generic competition for GLUCOPHAGE* XR is expected to begin in the fourth quarter.

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

	Three Months Ended September 30, 2003		Three Months Ended September 30, 2002	
	% Change in U.S. Net Sales (Restated)[a]	% Change in Total U.S. Prescriptions[b]	% Change in U.S. Net Sales (Restated)[a]	% Change in Total U.S. Prescriptions[b]
	(unaudited)			
PRAVACHOL	9	4	17	2
PLAVIX*	54	28	16	34
AVAPRO/AVALIDE*	60	14	(16)	15
ZERIT	(66)	(25)	35	(16)
SUSTIVA	(39)	18		13
GLUCOVANCE*	47	1	(45)	35
GLUCOPHAGE*XR	14	(1)	(7)	46
VIDEX/VIDEX EC	(47)	4	19	7

(a) Reflects change in net sales in dollar terms, including change in average selling prices and wholesaler buying patterns.
(b) Reflects change in total prescriptions in unit terms, based on third-party data.

Earnings before minority interest and income taxes for the Pharmaceuticals segment increased to $1,205 million in the third quarter of 2003 from $836 million in 2002 primarily due to higher sales and favorable product mix. This was partially offset by increased advertising and

product promotion on existing in-line products and to support new product launches.

Oncology Therapeutics Network

Sales by OTN increased 16% to $574 million from $494 million in 2002.

Earnings before minority interest and income taxes increased to $6 million in 2003 from $3 million in 2002.

Nutritionals

Sales for the Nutritionals segment were $518 million for the three months ended September 30, 2003, an increase of 14%, with a 1% unfavorable foreign exchange impact, from the prior year levels. International sales increased 9%, including a 1% unfavorable foreign exchange impact, while U.S. sales increased 19% primarily due to the relatively low sales base in the third quarter of 2002. Mead Johnson continues to be the leader in the U.S. infant formula market. ENFAMIL, the Company s largest-selling infant formula, had sales of $209 million, an increase of 6% from the prior year. Sales of ENFAGROW, a children s nutritional supplement, increased 22% to $39 million.

Earnings before minority interest and income taxes for the Nutritionals segment increased to $155 million in 2003 from $130 million in 2002. This increase is primarily due to higher sales and favorable product mix, partially offset by modification of a copromotion arrangement for CEFZIL with the Pharmaceuticals segment.

Other Healthcare

Sales in the Other Healthcare segment increased 10%, including a 5% favorable foreign exchange impact, to $433 million. The Other Healthcare segment is comprised of the ConvaTec, Medical Imaging and Consumer Medicines (United States and Japan) businesses.

ConvaTec sales for the three months ended September 30, 2003 increased 21%, including a 9% favorable foreign exchange impact, to $219 million. Sales of ostomy products increased 20% to $132 million, while sales of modern wound care products increased 24% to $84 million.

Medical Imaging sales for the three months ended September 30, 2003, increased 12%, including a 2% favorable foreign exchange impact, to $129 million. The increase in Medical Imaging sales was primarily due to an 11% increase in CARDIOLITE sales to $83 million in 2003 from $75 million in 2002.

Consumer Medicines sales for the three months ended September 30, 2003 decreased 14% including a 1% favorable foreign exchange impact to $85 million, primarily due to lower U.S. sales of EXCEDRIN and lower international sales of BUFFERIN.

Earnings before minority interest and income taxes for the Other Healthcare segment increased to $115 million in 2003 from $109 million in 2002, primarily due to an increase in sales.

Expenses

Total expenses for the three months ended September 30, 2003, as a percentage of sales, decreased to 74.7% from 97.6% in 2002. During the third quarter of 2003 and 2002, the Company recorded several significant items that affected the comparability of the results of the periods presented herein:

	Three Months Ended September 30,	
	Restated 2003	Restated 2002
	(unaudited, dollars in millions)	
Litigation charge, net	$ (4)	$ 569
Asset impairment for ImClone		379
Acquired in-process research and development		7
Restructuring and other items [(1)]	55	(28)
	51	927
Income taxes/ (benefit) on items above	(13)	(352)
Settlement of prior year tax matters		(235)
	$ 38	$ 340

(1) Restructuring and other items consist of the following:

Three Months Ended September 30, 2003 (restated)

	Cost of Products Sold	R&D	Provision for Restructuring and Other	Total
		(unaudited, dollars in millions)		
Up-front payments for two licensing agreements	$	$ 21	$	$ 21
Accelerated depreciation of assets	21			21
Termination benefits and other exit costs			9	9
Relocation expenses			7	7
Retention benefits			1	1
Change in estimates			(4)	(4)
	$ 21	$ 21	$ 13	$ 55

Three Months Ended September 30, 2002 (restated)

	Cost of Products Sold	Provision for Restructuring and Other	Total
		(unaudited, dollars in millions)	
Termination benefits	$	$ 41	$ 41
Other exit costs		38	38
Change in estimates	(17)	(90)	(107)
	$ (17)	$ (11)	$ (28)

For additional information, see Item 1. Restated Financial Statements Note 3. Restructuring and Other Items, Note 7. Alliances and Investments, Note 11. Legal Proceedings and Contingencies, and Note 13. Income Taxes to the consolidated financial statements included in this Form 10-Q/A.

Cost of products sold, as a percentage of sales, decreased to 35.9% in 2003 from 36.9% in 2002. This decrease is primarily due to higher average selling prices, strong growth and favorable product mix in the U.S. Pharmaceuticals business, partially offset by sales growth in the lower margin OTN oncology distribution business. In 2003, cost of products sold includes $21 million of accelerated depreciation of assets in manufacturing facilities in North America expected to be closed by the end of 2006. In 2002, cost of products sold includes a $17 million adjustment made to reflect the reversal of inventory reserves associated with cancelled projects.

As a percentage of sales, marketing, selling and administrative expenses decreased to 21.4% in the third quarter of 2003 from 21.9% in 2002. Marketing, selling, and administrative expenses increased 16% to $1,151 million in 2003 from $993 million in 2002. This increase is primarily due to increased sales support in the Pharmaceuticals segment, in particular for ABILIFY* and AVAPRO/AVALIDE* in the United States, and unfavorable foreign exchange impact, principally related to the EURO.

Expenditures for advertising and promotion in support of new and existing products increased 26% to $332 million in 2003 from $263 million in 2002, primarily as a result of promotional support for ABILIFY* in the United States.

Research and development expenditures increased 5% to $565 million in 2003 from $537 million in 2002. Pharmaceutical research and development spending increased 2% from the prior year, attributable to in-licensing payments and, as a percentage of pharmaceutical sales, was 13.6% in the third quarter of 2003 and 16.1% in the third quarter of 2002 due to higher sales.

The Company entered into a licensing and commercialization agreement with Flamel Technologies S.A. to develop and market BASULIN®, the first controlled release, unmodified human insulin to be developed as a once-daily injection for patients with type 1 or type 2 diabetes. Basulin is now entering Phase II clinical development. Under the agreement, the Company will lead and assume the cost of future development and manufacturing efforts for Basulin and will have exclusive worldwide rights to the product. The Company accrued for an initial payment of $20 million which was paid in October 2003, with the potential for an additional $145 million in clinical and regulatory milestone payments over time, and royalty payments on product sales.

The Company entered into an agreement with QDose, a joint venture between MicroDose Technologies, Inc. and Quadrant Drug Delivery, Ltd., to license a short acting inhaled insulin product for the treatment of type 1 or type 2 diabetes. The product is currently in early Phase I development. The Company will obtain worldwide exclusive rights to the product and, with support from QDose, will take the lead on development, manufacturing and commercialization of the licensed product. Under the agreement, the Company made an initial payment of $1 million which was recognized in the third quarter, with the potential for an additional $29 million in milestone payments based on achievement of certain development and regulatory events.

The Company and Corgentech Inc., a biotechnology company, entered into an agreement to jointly develop and commercialize Corgentech s E2F Decoy (edifoligide sodium), a novel treatment for the prevention of vein graft failure following coronary artery bypass graft and peripheral artery bypass graft surgery. The product is currently being evaluated in two Phase III clinical trials and the FDA has granted fast track status for both indications. Subsequent to the third quarter, the Company made an initial payment of $45 million in October 2003, with the potential for an additional $205 million in clinical and regulatory milestone payments over time, and arrangements for profit sharing.

The Company announced in September 2003 that based on its analyses of target product profile following completion of the clinical development program and re-evaluation of its antibacterial R&D priorities, garenoxacin, a quinolone antibiotic, licensed from Toyama Chemical will be reacquired by Toyama Chemical.

Based on its review of research and development strategy, the Company has determined to discontinue the development of ravuconazole, an antifungal agent. The product will be returned to Eisai Company, Ltd.

Restructuring programs were implemented in the third quarter of 2003 to downsize and streamline worldwide manufacturing operations. The programs include costs for the termination of approximately 100 manufacturing employees in the Other Healthcare and Pharmaceuticals segments. As a result of these actions, the Company expects the annual benefit to earnings from continuing operations before minority interest and income taxes to be approximately $9 million in future periods. For additional information on restructuring, see Item 1. Restated Financial Statements Note 3. Restructuring and Other Items.

Litigation charges, net of settlement income, were $4 million of income in 2003 and $569 million of expense in 2002. The $569 million in 2002 primarily related to BUSPAR and TAXOL proposed settlements. For additional information on litigations, see Item 1. Restated Financial

Statements Note 11. Legal Proceedings and Contingencies.

Equity in net income of affiliates for the three months ended September 30, 2003 was $54 million compared to $28 million in 2002. Equity in net income of affiliates principally related to the Company s joint venture with Sanofi and investment in ImClone. In 2003, the increase in equity in net income of affiliates reflects higher net income in the Sanofi joint venture. For additional information on equity in net income of affiliates, see Item 1. Restated Consolidated Financial Statements Note 7. Alliances and Investments.

Other expense, net increased to $79 million in the third quarter of 2003 from $40 million in the third quarter of 2002. Other expense, net primarily includes net interest expense, interest income, foreign exchange gains and losses, royalty income, and gains and losses on disposal of property, plant and equipment.

The effective income tax rate on earnings from continuing operations before minority interest and income taxes was 25.3% compared with a benefit of 245.8% in 2002. The effective tax rate in 2002 was due primarily to lower pre-tax income in the United States mainly as a result of the litigation and asset impairment charges recorded, and an income tax benefit of $235 million due to the settlement of certain prior year tax matters and the determination by the Company as to the expected settlement of ongoing tax litigation. For a discussion of the recent reorganization of the structure of the ownership of non-U.S. subsidiaries and possible tax liability, which could be material, see Item 1. Restated Financial Statements Note 13. Income Taxes.

Nine Months Results of Operations

Worldwide sales for the first nine months of 2003 increased 15% to $15,229 million from $13,295 million in 2002. This sales increase resulted from an 8% increase in volume, a 4% increase in foreign exchange and a 3% increase in price. Domestic sales increased 12% and international sales increased 19%, including a 10% favorable foreign exchange impact. For the first nine months of 2003, $311 million of deferred revenue was reversed and recognized as sales (calculated net of sales discounts, rebates and other adjustments). The deferred revenue, recorded at gross invoice sales prices, related to the inventory of pharmaceutical products accounted for using the consignment model, was reduced to $83 million at September 30, 2003, compared to $470 million at December 31, 2002. The deferred revenue of $23 million and related consignment inventory for non-OTN products, recorded under the consignment model will continue to be reflected on the Company s balance sheet until the related products are sold through to the wholesalers customers. The sell-through of these non-OTN products to the wholesalers customers was substantially complete by the end of 2003.

For the nine months ended September 30, 2003, earnings from continuing operations before minority interest and income taxes increased 78% to $3,771 million from $2,124 million in 2002. The increase was mainly driven by increased sales, partially offset by an unfavorable product mix and increased investment in advertising and promotion spending as well as an increase in sales force expenses. In 2003, net earnings from continuing operations increased 59% to $2,600 million compared to $1,640 million in 2002. The effective income tax rate on earnings from continuing operations, before minority interest and income taxes increased to 24.5% in 2003 from 13.0% in 2002. Basic earnings per share from continuing operations increased 58% to $1.34 in 2003 from $.85 in 2002. Diluted earnings per share from continuing operations increased 60% to $1.34 in 2003 from $.84 in 2002. Basic and diluted average shares outstanding for the nine months were 1,936 million and 1,942 million, respectively, in 2003 compared to 1,936 million and 1,943 million, respectively, in 2002.

Business Segments

Pharmaceuticals

Sales for the Pharmaceuticals segment in the nine months ended September 30, 2003 increased 15%, including a 5% favorable foreign exchange impact, to $10,843 million from $9,418 million in 2002. Domestic pharmaceutical sales increased 14% to $6,164 million in 2003 from $5,430 million in 2002, primarily due to increased sales of PLAVIX*, the PRAVACHOL franchise, AVAPRO/AVALIDE* and total revenue for ABILIFY*, and partly due to the impact on 2002 sales from the workdown of non-consignment wholesaler inventory. International sales for the Pharmaceuticals segment increased 17% to $4,679 million in 2003, including an 11% favorable foreign exchange impact, from $3,988 million in 2002. Sales in Europe and the Middle East increased 21%, including a 17% favorable effect of foreign exchange. Strong growth in PRAVACHOL, TAXOL®, PLAVIX* and Analgesic products were partially offset by price declines in Germany and Italy. Japan realized sales growth of 17%, including a 7% favorable foreign exchange impact, led by growth in TAXOL® sales.

Sales of selected products for the nine months ended September 30, 2003 were as follows:

The Company recorded revenue for ABILIFY* for the nine months of $203 million.

Worldwide sales of the PRAVACHOL franchise, which includes PRAVACHOL, a cholesterol-lowering agent and the Company s largest selling product, increased 26%, including a 7% favorable foreign exchange impact, to $2,098 million. In August 2003, PRAVIGARD PAC (Buffered Aspirin and Pravastatin Sodium) tablets were launched in the United States.

Sales of PLAVIX*, a platelet aggregation inhibitor, increased 25% to $1,659 million. Sales of AVAPRO/AVALIDE*, an angiotensin II receptor blocker for the treatment of hypertension, increased 28% to $527 million. AVAPRO/AVALIDE*, and PLAVIX* are cardiovascular products that were launched from the alliance between Bristol-Myers Squibb and Sanofi-Synthelabo.

TAXOL® and PARAPLATIN, the Company s leading anti-cancer agents, had sales of $695 million and $701 million, respectively. International sales of TAXOL® increased 24%, including favorable foreign exchange of 14%, to $644 million, led by strong sales growth in Japan, while domestic sales decreased 59% to $51 million due to generic competition. PARAPLATIN sales increased 22% to $701 million primarily driven by sales in the United States.

Sales of SUSTIVA, an anti-retroviral for the treatment of HIV/AIDS, were $405 million, an increase of 16% over the prior year.

Sales for REYATAZ, a novel protease inhibitor for the treatment of HIV/AIDS launched in the United States in July 2003, were $39 million.

Sales of the GLUCOPHAGE* franchise increased 20% to $723 million. GLUCOPHAGE*IR sales were $99 million, while GLUCOVANCE* sales grew 84% to $315 million, and GLUCOPHAGE*XR (Extended Release) tablets sales grew 23% to $306 million. Generic competition for GLUCOPHAGE*XR is expected to begin in the fourth quarter.

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

	Nine Months Ended September 30, 2003		Nine Months Ended September 30, 2002	
	% Change in U.S. Net Sales Restated[(a)]	% Change in Total U.S. Prescriptions[(b)]	% Change in U.S. Net Sales Restated[(a)]	% Change in Total U.S. Prescriptions[(b)]
	(unaudited)			
PRAVACHOL/PRAVIGARD PAC	23	2	5	7
PLAVIX	21	29	54	36
AVAPRO/AVALIDE*	21	14	15	13
ZERIT	(27)	(23)	(8)	(14)
SUSTIVA	10	19		9
GLUCOVANCE*	85	5	(33)	61
GLUCOPHAGE*XR	23	2	42	116
VIDEX/VIDEX EC	(14)	3	13	8

(a) Reflects change in net sales in dollar terms, including change in average selling prices and wholesaler buying patterns.
(b) Reflects change in total prescriptions in unit terms, based on third-party data.

Earnings before minority interest and income taxes for the Pharmaceuticals segment increased to $3,318 million in 2003 from $2,606 million in 2002. The increase in earnings before minority interest and income taxes was driven by increased sales which were partially offset by increased advertising and product promotion spending on new and existing in-line products.

Oncology Therapeutics Network

Sales by OTN increased 21% to $1,652 million from $1,368 million in 2002.

Earnings before minority interest and income taxes increased to $14 million in 2003 from $12 million in 2002, primarily due to an increase in sales.

Nutritionals

Sales for the Nutritionals segment were $1,497 million for the nine months ended September 30, 2003, an increase of 10%, including a 1% unfavorable foreign exchange impact, from the prior year. International sales increased 9%, including a 2% unfavorable foreign exchange impact, and U.S. sales increased 10%. Mead Johnson continues to be the leader in the U.S. infant formula market. ENFAMIL, the Company s largest-selling infant formula, had sales of $607 million, an increase of 6% from the prior year. Sales of ENFAGROW, a children s nutritional supplement, increased 36% to $118 million.

Earnings before minority interest and income taxes for the Nutritionals segment increased to $399 million in 2003 from $398 million in 2002, primarily due to an increase in sales.

Other Healthcare

Sales in the Other Healthcare segment increased 8%, including a 5% favorable foreign exchange impact, to $1,237 million. The Other Healthcare segment is comprised of the ConvaTec, Medical Imaging and Consumer Medicines (United States and Japan) businesses.

ConvaTec sales for the nine months ended September 30, 2003 increased 14%, including a 9% favorable foreign exchange impact, to $602 million. Sales of ostomy products increased 13% to $370 million, while sales of modern wound care products increased 15% to $225 million.

Medical Imaging sales for the nine months ended September 30, 2003, increased 11%, including a 1% favorable foreign exchange impact, to $379 million. The increase in Medical Imaging sales was primarily due to a 12% increase in CARDIOLITE sales to $244 million in 2003 from $217 million in 2002.

Consumer Medicines sales for the nine months ended September 30, 2003 decreased 7% to $256 million, including a 2% unfavorable foreign exchange impact, primarily due to decreased demand for EXCEDRIN.

Earnings before minority interest and income taxes for the Other Healthcare segment decreased to $298 million in 2003 from $312 million in 2002 primarily as a result of unfavorable product mix due to lower demand for EXCEDRIN and increased sales incentives during the first and second quarters of 2003 for EXCEDRIN QUICKTABS in the Consumer Medicines business.

Expenses

Total expenses for the nine months ended September 30, 2003, as a percentage of sales, decreased to 75.2% from 84.0% in 2002. During the first nine months of 2003 and 2002, the Company recorded several significant items that affected the comparability of the results of the periods presented herein:

	Nine Months Ended September 30,	
	Restated 2003	Restated 2002
	(unaudited, dollars in millions)	
Litigation charge, net	$ (66)	$ 659
Asset impairment for ImClone		379
Restructuring and other items [1]	85	(25)
Gain on sales of business/product lines		(30)
Acquired in-process research and development		167
	19	1,150
Income taxes/ (benefit) on items above	5	(437)
Settlement of prior year tax matters		(235)
	$ 24	$ 478

(1) Restructuring and other items consist of the following:

Nine Months Ended September 30, 2003 (restated)

	Cost of	R&D	Provision for	Total

	Products Sold		Restructuring and Other	
	(unaudited, dollars in millions)			
Up-front payments for two licensing agreements	$	$ 21	$	$ 21
Accelerated depreciation of assets	35			35
Termination benefits and other exit costs			34	34
Relocation expenses			11	11
Asset impairment charges	11			11
Retention benefits			2	2
Change in estimates			(29)	(29)
	$ 46	$ 21	$ 18	$ 85

Nine Months Ended September 30, 2002 (restated)

	Cost of Products Sold	Provision for Restructuring and Other	Total
	(unaudited, dollars in millions)		
Termination benefits	$	$ 71	$ 71
Other exit costs		38	38
Asset write-down and impairment charges	2	27	29
Change in estimates	(17)	(146)	(163)
	$ (15)	$ (10)	$ (25)

For additional information, see Item 1. Restated Financial Statements Note 3. Restructuring and Other Items, Note 7. Alliances and Investments, Note 8. Divestitures and Discontinued Operations, Note 11. Legal Proceedings and Contingencies, and Note 13. Income Taxes to the consolidated financial statements included in this Form 10-Q/A.

Cost of products sold, as a percentage of sales, increased to 36.0% in 2003 from 35.0% in 2002. This increase is primarily due to increased sales of lower margin products from OTN partially offset by increased sales of higher margin products such as PRAVACHOL. In 2003, cost of products sold includes $35 million of accelerated depreciation of assets in manufacturing facilities in North America expected to be closed by the end of 2006 and an $11 million charge for asset impairment. In 2002, cost of products sold included a $17 million adjustment made to reflect the reversal of inventory reserves associated with cancelled projects offset by $2 million for inventory write-offs associated with the shutdown of a manufacturing facility in Puerto Rico.

As a percentage of sales, marketing, selling and administrative expenses increased slightly to 22.3% in the nine months ended September 30, 2003 from 22.1% in 2002. Marketing, selling, and administrative expenses increased 16% to $3,398 million in 2003 from $2,933 million in 2002. This increase is primarily due to increased sales support in the Pharmaceuticals segment, in particular for ABILIFY*, AVAPRO/AVALIDE*, PLAVIX* and PRAVACHOL in the United States, and unfavorable foreign exchange impact, principally related to the EURO.

Expenditures for advertising and promotion in support of new and existing products increased 25% to $1,001 million in 2003 from $800 million in 2002, primarily as a result of promotional support for ABILIFY*, the PRAVACHOL franchise and PLAVIX* in the United States.

Research and development expenditures increased 1% to $1,564 million in 2003 from $1,549 million in 2002. Pharmaceutical research and development spending decreased 1% from the prior year and, as a percentage of pharmaceutical sales, was 13.5% in the nine months ended September 30, 2003 and 15.8% in the nine months ended September 30, 2002. The decline in spending is largely due to reductions in discovery spending, including the closure of a discovery facility in Wilmington, Delaware. Research and development spending levels for the full-year 2003 were comparable to 2002 spending levels.

Restructuring programs were implemented in the first nine months of 2003 to downsize and streamline worldwide manufacturing operations. The programs include costs for the termination of approximately 870 manufacturing employees in the Pharmaceuticals and Other Healthcare segments. As a result of these actions, the Company expects the annual benefit to earnings from continuing operations before minority interest and income taxes to be approximately $49 million in future periods. For additional information on restructuring, see Item 1. Restated Financial Statements Note 3. Restructuring and Other Items.

Litigation charges, net of settlement income, were $66 million income in 2003 and $659 expense in 2002. The $66 million in 2003 consists of $30 million income for patent defense cost reimbursement, $27 million in litigation settlement income, $21 million from the settlement of the anti-trust litigation involving vitamin manufacturers offset by $12 million primarily related to TAXOL and BUSPAR litigation. The $659 expense in 2002 primarily relates to BUSPAR and TAXOL proposed settlements. For additional information on litigations, see Item 1. Restated Financial Statements Note 11. Legal Proceedings and Contingencies.

Equity in net income of affiliates for the first nine months of 2003 was $124 million compared to $60 million in 2002. Equity in net income of affiliates principally related to the Company s joint venture with Sanofi and investment in ImClone. In 2003, the increase in equity in net income of affiliates reflects higher net income in the Sanofi joint venture. For additional information on equity in net income of affiliates, see Item 1. Restated Financial Statements Note 7. Alliances and Investments.

Other expense, net increased to $177 million in the nine months ended September 30, 2003 from $128 million in the nine months ended September 30, 2002. Other expense, net includes net interest expense, interest income, foreign exchange gains and losses, royalty income, and gains and losses on disposal of property plant and equipment.

The effective income tax rate on earnings from continuing operations before minority interest and income taxes increased to 24.5% in 2003 from 13.0% in 2002 due primarily to the settlement of prior year tax matters in 2002. For a discussion of the recent reorganization of the structure of the ownership of non-U.S. subsidiaries and possible tax liability, which could be material, see Item1. Restated Financial Statements Note 13. Income Taxes.

Developments

For a discussion of the Company s recent developments through the filing on March 15, 2004 of the Company s 2003 Form 10-K, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Developments in the Company s 2003 Form 10-K. This Amendment No. 1 to the Company s Quarterly Report on Form 10-Q/A for the quarterly period ended September 30, 2003 has not been updated to reflect any events or developments occurring subsequent to March 15, 2004.

Financial Position

Cash, cash equivalents and marketable securities totaled approximately $5.0 billion at September 30, 2003 as compared to $4.0 billion at December 31, 2002. The Company continues to maintain a high level of working capital, amounting to $3.6 billion at September 30, 2003, increasing from $1.6 billion at December 31, 2002. Approximately $4.9 billion of such cash and cash equivalents and marketable securities was held by the Company s foreign subsidiaries, which the Company does not expect to repatriate in the foreseeable future. Repatriation to the United States would require additional tax provisions not reflected in the consolidated financial statements. Due to the complexities in the tax laws and the assumptions that would have to be made, it is not practicable to estimate the amounts of the income taxes that would have to be provided.

Cash and cash equivalents at September 30, 2003 primarily consisted of U.S. dollar denominated bank deposits with an original maturity of three months or less. Marketable securities at September 30, 2003 primarily consisted of U.S. dollar denominated floating rate instruments with a AAA/aaa credit rating. Due to the nature of these instruments, the Company considers it reasonable to expect that their fair market values will not be significantly impacted by a change in interest rates, and that they can be liquidated for cash at short notice.

Short-term borrowings were $1.3 billion at September 30, 2003, compared with $1.4 billion at December 31, 2002.

Long-term debt increased to $7.4 billion at September 30, 2003 from $6.3 billion at December 31, 2002 primarily due to the $1 billion notes issued in August 2003. In addition, in October 2003, the Company issued $1.2 billion of floating rate convertible debentures, maturing in 2023. These debentures are convertible into Company common stock at 24.2248 shares per $1,000 debenture ($41.28 per share), subject to increases up to a maximum of 38.7597 shares per $1,000 debenture based on increases in the market price of the stock above $41.28 per share, plus anti-dilution and certain other adjustments. In July 2003, Standard & Poor s lowered its corporate credit and senior unsecured debt rating on the Company to AA- from AA. In addition, Standard & Poor s affirmed its
A-1+ short-term corporate credit and commercial paper rating. In April 2003, Moody s Investors Service reduced the Company s long-term credit rating from Aa2 to A1. In March 2003, Moody s confirmed the Prime-1 short-term credit rating for the Company.

Net cash provided by operating activities was $2.3 billion in the nine months ended September 30, 2003 as compared to $255 million in 2002. The increase in cash provided by operating activities in 2003 compared to 2002 is mainly attributable to income tax outflows in 2002 of $2,061 million, which primarily related to the payment of taxes on the gain arising from the sale of the Clairol business.

During the nine months ended September 30, 2003, the Company did not purchase any of its common stock. During the nine months ended September 30, 2002, the Company purchased 5 million shares of its common stock at a cost of $154 million.

For each of the three and nine month periods ended September 30, 2003 and 2002 dividends declared per common share were $.28 and $.84, respectively.

For further discussion of the Company s financial position, liquidity and capital resources through the filing on March 15, 2004 of the Company s 2003 Form 10-K, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Position, Liquidity and Capital Resources, in the Company s 2003 Form 10-K. This Amendment No. 1 to the Company s Quarterly Report on Form 10-Q/A for the quarterly period ended September 30, 2003 has not been updated to reflect any events or developments occurring subsequent to March 15, 2004.

Retirement Benefits

For a discussion of the Company s retirement benefits through the filing on March 15, 2004 of the Company s 2003 Form 10-K, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations in the Company s 2003 Form 10-K. This Amendment No. 1 to the Company s Quarterly Report on Form 10-Q/A for the quarterly period ended September 30, 2003 has not been updated to reflect any events or developments occurring subsequent to March 15, 2004.

Critical Accounting Policies

For a discussion of the Company s critical accounting policies through the filing on March 15, 2004 of the Company s 2003 Form 10-K, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations in the Company s 2003 Form 10-K. This Amendment No. 1 to the Company s Quarterly Report on Form 10-Q/A for the quarterly period ended September 30, 2003 has not been updated to reflect any events or developments occurring subsequent to March 15, 2004.

Outlook

For a discussion of the Company s outlook for 2004 through the filing on March 15, 2004 of the Company s 2003 Form 10-K, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Outlook for 2004 in the Company s 2003 Form 10-K. This Amendment No. 1 to the Company s Quarterly Report on Form 10-Q/A for the quarterly period ended September 30, 2003 has not been updated to reflect any events or developments occurring subsequent to March 15, 2004.

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 the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. You can identify these forward-looking statements by the fact they use words such as should , expect , anticipate , estimate , target , may , will , project , guidance , intend , plan , believe and other words and terms 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 internal or external 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 but are not limited to 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; (iv) new laws, regulations and judicial decisions affecting pricing or marketing within or across jurisdictions; and (v) changes in intellectual property law.

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 but fail to reach market for any number of reasons, including efficacy or safety concerns, the inability to obtain necessary regulatory approvals and the difficulty or excessive cost to manufacture; (ii) failure of any of our products to achieve or maintain commercial viability; (iii) seizure or recall of products; (iv) the failure to obtain, the imposition of limitations on the use of, or loss of patent and other intellectual property rights; (v) failure of the Company or any of its vendors or suppliers 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 (vi) other manufacturing or distribution problems.

Legal difficulties, including lawsuits, claims, proceedings and investigations, any of which can preclude or delay commercialization of products or adversely affect operations, profitability, liquidity or financial condition, 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 including those relating to wholesaler inventory, financial restatement and product pricing and promotion; (vi) claims asserting violations of securities, antitrust, federal and state pricing and other laws; (vii) environmental matters; and (viii) tax liabilities. There can be no assurance that there will not be an increase in scope of these matters or that any future lawsuits, claims, proceedings or investigations will not be material.

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 or other changes in 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 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 product mix that may affect margins.

Changes in the Company s structure, operations, revenues, costs, staffing or efficiency resulting from acquisitions, divestitures, mergers, alliances, 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 political or social instability, military or armed conflict, nationalization of assets, debt or payment moratoriums, other restrictions on commerce, and actual or threatened terrorist attacks in the United States or other parts of the world and related military action.

Changes in accounting standards promulgated by the FASB, the SEC or the AICPA, which may require adjustments to financial statements.

Capacity, efficiency, reliability, security and potential breakdown, invasion, destruction or interruption of information systems.

Reliance of the Company on vendors, partners and other third parties to meet their contractual, regulatory and other obligations in relation to their arrangements with the Company.

Results of clinical studies relating to the Company s or a competitor s products.

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.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The market risk disclosures as of the date of the original filing have not materially changed from those appearing in the Company s 2002 Form 10-K. For further discussion of the Company s market risk through the filing on March 15, 2004 of the Company s 2003 Form 10-K, see Item 7A. Quantitative and Qualitative Disclosures About Market Risk, in the Company s 2003 Form 10-K. This Amendment No.1 to the Company s Quarterly Report on Form 10-Q/A for the quarterly period ended September 30, 2003 has not been updated to reflect any events or developments occurring subsequent to March 15, 2004.

In the nine months ended September 30, 2003, the Company purchased and sold $1,049 million notional amount of foreign exchange euro put options, sold an additional $516 million notional amount of put options (primarily the euro) that had been previously purchased in 2002, sold $3,298 million notional amount of forward contracts (primarily euro and Canadian dollar) and bought a net $608 million notional amount of

Japanese yen forward contracts. These contracts are primarily for hedging exchange impacts related to forecasted intercompany inventory purchases for up to the next 26 months.

Additionally, in the nine months ended September 30, 2003, the Company executed several fixed to floating interest rate swaps to convert an additional $2.0 billion of the Company s fixed rate debt to be paid in 2006, 2008, 2011 and 2013 to variable rate debt.

Item 4. CONTROLS AND PROCEDURES

Information pertaining to controls and procedures has been updated for events and developments occurring subsequent to the filing of the original Form 10-Q through the filing on March 15, 2004 of the Company s 2003 Form 10-K. This Amendment No.1 to the Company s Quarterly Report on Form 10-Q/A for the quarterly period ended September 30, 2003 has not been updated to reflect any events or developments occurring subsequent to March 15, 2004.

The Company restated its consolidated balance sheet at December 31, 2002, and consolidated statements of earnings, cash flows, and comprehensive income and retained earnings for the years ended December 31, 2002 and 2001, and its financial statements for the first, second and third quarters of 2003, including comparable interim periods in 2002 (the 2003 Restatement). For a discussion of the individual restatement adjustments and the impact of such adjustments on the Company s previously issued financial statements, see Item 1. Restated Financial Statements Note 2. Restatement of Previously Issued Financial Statements, above and Item 8.

Financial Statements Note 2. Restatement of Previously Issued Financial Statements for Years Ended December 31, 2002 and 2001 in the Company s 2003 Form 10-K. Accordingly, the Company is reporting in this Amendment No. 1 to its Form 10-Q/A for the quarterly period ended September 30, 2003, its most recent evaluation of its disclosure controls and procedures which considered matters relating to the 2003 Restatement.

As of December 31, 2003, the Company carried out an evaluation, under the supervision and with the participation of its chief executive officer and chief financial officer, pursuant to Rule 13a-15 promulgated under the Securities Exchange Act of 1934, as amended, of the effectiveness of the design and operation of its disclosure controls and procedures.

In making this evaluation, the Company has considered matters relating to the 2003 Restatement including actions taken by the Company within the past year to identify and enhance the effectiveness of its disclosure controls and procedures and internal controls over financial reporting. After completing the 2002 Restatement described below, the Company continued to identify and implement actions to improve the effectiveness of its disclosure controls and procedures and internal controls over financial reporting. In connection with this effort, the Company (i) has substantially strengthened the organization and personnel of the senior financial and control functions, (ii) adopted more rigorous policies and procedures with respect to its balance sheet review process, (iii) focused its internal audit function on financial reporting controls, (iv) engaged a consultant to assist in the evaluation and documentation of certain financial reporting and disclosure processes throughout the Company and (v) engaged a consultant to assist in a comprehensive and detailed review of certain of the Company s tax reporting and accounting. In addition, at the request of the Company s Audit Committee, the Company s independent auditors performed more extensive procedures with respect to the Company s interim financial information during 2003 and, based on the auditors assessment of the Company s risk profile, expanded the scope and amount of field work to be performed for certain areas in connection with its audit of the Company for 2003. These actions contributed significantly to the Company identifying additional errors relating to prior periods not reflected in the 2002 Restatement.

In March 2003, the Company restated its financial statements for the three years ended December 31, 2001, including the corresponding interim periods, and the first and second quarters of 2002, including comparable prior interim periods in 2001 (the 2002 Restatement). In connection with their audits of the 2002 Restatement and the Company s consolidated financial statements for the year ended December 31, 2002, the Company s independent auditors, PricewaterhouseCoopers LLP (PwC), identified and communicated to the Company and its Audit Committee two material weaknesses (as defined under standards established by the American Institute of Certified Public Accountants (AICPA)) 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 addition, at that time, PwC identified and communicated to the Company and its Audit Committee a reportable condition (as defined under standards established by the AICPA) relating to the Company s internal controls over its financial reporting for income taxes. In connection with the audit of the Company s consolidated financial statements for the year ended December 31, 2003, PwC has advised the Company and its Audit Committee that the reportable condition in the income tax accounting area remains. In 2003, the Company dedicated substantial resources to improving its controls over its accounting and financial disclosure and reporting, and PwC has not identified any material weaknesses in connection with their audit of 2003 financial statements. In addition, the Company has devoted substantial resources towards remedying the reportable condition in relation to taxes. The Company s efforts to strengthen its financial and internal controls continue, and the Company expects to complete remediation of the reportable condition by the end of 2004.

Based on this evaluation, the Company s chief executive officer and chief financial officer concluded that as of the evaluation date, such disclosure controls and procedures were reasonably designed to ensure that information required to be disclosed by the Company in reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

Other than as described above, since the evaluation date by the Company s management of its internal controls, there have not been any significant changes in the internal controls or in other factors that could significantly affect the internal controls.

PART II OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Information pertaining to legal proceedings has been updated for events and developments occurring subsequent to the filing of the original Form 10-Q through the filing on March 15, 2004 of the Company s 2003 Form 10-K and can be found in Item 1. Restated Financial Statements Note 11. Legal Proceedings and Contingencies above. This Amendment No. 1 to the Company s Quarterly Report on Form 10-Q/A for the quarterly period ended September 30, 2003 has not been updated to reflect any events or developments occurring subsequent to March 15, 2004.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Item 4 of the original Form 10-Q/A for the quarterly period ended March 31, 2003 is hereby incorporated by reference.

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	Description
3c.	Restated Certificate of Incorporation (November 6, 2003)*
4j.	Five-Year Competitive Advance and Revolving Credit Facility Agreement, dated as of September 11, 2001, among Bristol-Myers Squibb Company, the borrowing subsidiaries, the lenders named in the agreement, ABN Amro Bank N.V., Bank of America, N.A. and Deutsche Bank AG, New York Branch as cosyndication agents, The Chase Manhattan Bank, as Administrative Agent and Citibank, N.A., and Deutsche Bank AG, New York Branch as co-syndication agents, The Chase Manhattan Bank, as Administrative Agent and Citibank, N.A., as Administrative Agent*
4k.	Third Supplemental Indenture, dated August 18, 2003, between Bristol-Myers Squibb Company and JP Morgan Chase Bank, as Trustee, to indenture dated June 1, 1993*
4l.	Purchase Agreement dated August 12, 2003, between Bristol-Myers Squibb Company and Goldman, Sachs & Co., J.P. Morgan Securities Inc., as representatives to the several purchasers, named in Schedule I of the Agreement, of 4.00% Senior Notes due 2008 and 5.25% Senior Notes due 2013*
4m.	Exchange and Registration Rights Agreement, dated August 18, 2003, between Bristol-Myers Squibb Company and Goldman, Sachs & Co., J.P. Morgan Securities Inc., as representatives of the several purchasers named in Schedule I to the Purchase Agreement, of 4.00% Senior Notes due 2008 and 5.25% Senior Notes due 2013*
4n.	Form of 4.00% Senior Note due 2008*
4o.	Form of 5.25% Senior Note due 2013*
4p.	Five-Year Competitive Advance and Revolving Credit Facility Agreement dated as of August 18, 2003 among Bristol-Myers Squibb Company, the Borrowing Subsidiaries, the lenders named in the Agreement, Bank of America, N.A. as Syndication Agent, JP Morgan Chase Bank, as Administrative Agent and CitiCorp North America, Inc., as Administrative Agent*
4q.	Indenture, dated October 1, 2003, between Bristol-Myers Squibb Company, as Issuer, and JP Morgan Chase Bank, as Trustee*
4r.	Registration Rights Agreement, dated October 1, 2003, between Bristol-Myers Squibb Company and Goldman, Sachs & Co., J.P. Morgan Securities Inc., as representatives of the several purchasers named in Schedule I to the Purchase Agreement, of floating rate convertible senior debentures due 2023*
4s.	Form of Floating Rate Convertible Senior Debenture Due 2023*
4t.	Purchase Agreement dated September 25, 2003, between Bristol-Myers Squibb Company and Goldman, Sachs & Co., J.P. Morgan Securities Inc., as representatives of the several purchasers named in Schedule I to the Purchase Agreement, of floating rate convertible debentures due 2023*

15.	Independent Accountants Awareness Letter
31a.	Section 302 Certification Letter
31b.	Section 302 Certification Letter
32a.	Section 906 Certification Letter
32b.	Section 906 Certification Letter

* Previously filed with the Company s original September 30, 2003 quarterly report on Form 10-Q

b) Reports on Form 8-K

On July 23, 2003, the Registrant filed a Form 8-K under Item 5 announcing the recent initiation of an internal review of sales and marketing practices. Attached as an exhibit to such Form 8-K is its press release dated July 22, 2003.

On July 24, 2003, the Registrant filed a Form 8-K under Item 9 and Item 12 announcing its earnings for the second quarter of 2003. Attached as an exhibit to such Form 8-K is its press release dated July 24, 2003.

On September 26, 2003, the Registrant filed a Form 8-K under Item 9 announcing its intention to offer $1 billion of convertible senior debentures. Attached as an exhibit to such Form 8-K is its press release dated September 24, 2003.

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* Indicates, in this Form 10-Q, 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/AVALIDE 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 ABILIFY is a trademark of Otsuka Pharmaceutical Company, Ltd.

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 31, 2004

By: /s/ Peter R. Dolan

Peter R. Dolan

Chairman of the Board and Chief Executive Officer

Date: March 31, 2004

By: /s/ Andrew R. J. Bonfield

Andrew R. J. Bonfield

Senior Vice President and Chief Financial Officer