EVOLVING TO A SPECIALTY CARE BIOPHARMA COMPANY

▲ *Dina Sienkiewicz, pictured here with her husband, Vinny, participated in an investigational clinical trial of the combination use of experimental immune-based therapies from Bristol-Myers Squibb.*

Bristol-Myers Squibb

AS THE EXTERNAL ENVIRONMENT continues to change – posing both challenges and opportunities – Bristol-Myers Squibb has successfully adapted and evolved. Throughout our history, this strategic resilience has allowed us to adhere to our Mission. Moreover, it has enabled us to keep pace with an ability to address the critical needs of today's patients, while building a company that can create extraordinary possibilities for making a difference in the lives of people in the years ahead.

ON THE COVER

After **Dina Sienkiewicz**, 46, of Woodbury, Connecticut (pictured here with her husband, Vinny), was diagnosed with stage 4 mucosal melanoma, a relatively rare type of cancer that invades mucosal surfaces of the body, she began to shorten her goals. "I just wanted to live long enough to see my daughter graduate high school and know that she was going off to college."

Now, three years later, her daughter is a college junior studying to be a physician's assistant, and Sienkiewicz is on the Internet every night, trying to help her "cancer buddies," who share her form of cancer.

Her cancer had spread, even after two surgeries, and her surgeon admitted there was "no clear blueprint" for what to do next. That's when Sienkiewicz went to see Dr. Mario Sznol, the clinical research program leader for the melanoma program at Yale Cancer Center in New Haven, Connecticut. He suggested she enter a clinical trial that was exploring whether an investigational therapy might turn on a switch in her immune system to help fight the cancer. She was given an investigational combination of two experimental immune-based therapies from Bristol-Myers Squibb: ipilimumab and nivolumab.

After her first treatment, she developed an adverse reaction, an eye inflammation that would have to be resolved before determining whether she could continue on the trial. However, as she was healing, something remarkable occurred. "I went in for the first scans, and to everyone's surprise, much of the cancer had disappeared," she says. Eight weeks later, more scans showed that while she was not cured, there was no longer any evidence of the tumors.

"Dr. Sznol said he hadn't done anything – that it was the investigational drugs," Sienkiewicz adds. "Yet he was always cautiously hopeful, and he and his team were there for me every step of the way. I'm a huge advocate of clinical trials now because they provide options for people. I never want anyone else to ever hear the words, 'There is no clear blueprint.'"

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


“I just wanted to live long enough to see my daughter graduate high school and know that she was going off to college.”
— Dina Sienkiewicz

TO OUR STOCKHOLDERS

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Bristol-Myers Squibb is a company on the move. Driving results. Building our future. Making a difference in people's lives.

Throughout 2013, we delivered across the board and across the globe. Commercially. Clinically. Strategically. We continued our balanced approach of delivering for patients today, while investing for patients tomorrow.

We ended the year in a strong, forward-leaning position. Our financial performance was solid. Our pipeline was robust. And our BioPharma transformation entered into a new, exciting phase – one geared toward making us one of the industry's leading specialty care companies.

Simply stated, 2013 was an important year for Bristol-Myers Squibb.

Driving Results

Our total shareholder return was 70%, which was well above our peer average of 36%. We also met our goals with respect to earnings per share and sales.

Our revenue was $16.4 billion, which represents a 7% decrease in company sales – a decline largely caused by the loss of exclusivity of *Plavix* and *Avapro* in the U.S. the previous year – but each of our new and in-line products delivered strong, meaningful results. Among the key drivers with double-digit growth were *Yervoy* (metastatic melanoma), *Sprycel* (chronic myeloid leukemia), *Orencia* (rheumatoid arthritis) and *Baraclude* (hepatitis B).

In fact, excluding *Plavix* and *Avapro*, we delivered a 9% increase. This is significant, because it underscores the strength of our current portfolio and the potential for sustained long-term growth.

Much of our research and development focus in 2013 was in three therapeutic areas: cardiovascular, immuno-oncology and hepatitis C. We met our objective regarding the number of Phase III compounds and exceeded our goals regarding life-cycle management of our products. Additionally, we presented important clinical data and made key regulatory advances.

Cardiovascular

It was a very important year for *Eliquis*. We launched in major markets around the world for stroke prevention in atrial fibrillation, and sales trended positively throughout the year. And based on very favorable data, we filed in the U.S. and Europe for the treatment of venous thromboembolism, thus potentially expanding the patient populations who could be served by this relatively new, increasingly popular cardiovascular medicine.

Immuno-oncology

It was a very exciting year for our immuno-oncology platform because it became increasingly clear that our products have the potential to fundamentally transform cancer care – making it possible for patients to live longer, better lives.

Our first immuno-oncology therapy, *Yervoy*, is now available in more than 40 markets and delivered a 36% increase in sales last year. We presented compelling long-term survival data for *Yervoy* in metastatic melanoma and advanced our work with nivolumab in multiple tumor types – metastatic melanoma, renal cancer and lung cancer. Nivolumab, which is also being studied both as a monotherapy as well as in combination therapy, is the subject of more than 30 ongoing clinical studies for a range of cancers.

Hepatitis C

And it was a very promising year for our hepatitis C portfolio. Our compounds continued to show real potential, particularly in Japan, where we filed our dual regimen late last year. In addition, we submitted daclatasvir in Europe and initiated a Phase III study for a fixed-dose combination, which incorporates three of our oral agents in a single tablet.

Building Our Future

While driving these results, we also continued building our company's future – moving our transformation forward, maintaining the momentum of the past few years.

In fact, since 2007, we have executed against a BioPharma strategy that has effectively turned Bristol-Myers Squibb into an industry leader. We have focused our resources on innovative pharmaceuticals. We have strengthened our pipeline and portfolio and diversified our geographical emphasis. And we have constantly evolved our organization to meet the challenges and opportunities of an ever-changing external environment.

It was in that spirit that we announced in December our decision to sell the diabetes business of Bristol-Myers Squibb which comprised our global alliance with AstraZeneca – an important decision that was taken after a thorough assessment of the benefits it will generate for our company. It was also in that spirit that we sharpened our company's R&D strategic focus to a more specialty care model.

> Bristol-Myers Squibb is a company on the move. Driving results. Building our future. Making a difference in people's lives.
>
> – Lamberto Andreotti, Chief Executive Officer

Taken together, these developments allow us to target our resources in a way that benefits our shareholders and the patients we serve. We are now able to invest more time, energy and money in those specialty areas where we can compete most effectively and can have a greater impact, such as immuno-oncology, virology including hepatitis C, rheumatoid arthritis and stroke prevention.

To support this new model, we strengthened our Commercial organization by making it more global, more integrated and more streamlined. We also strengthened our Finance organization by integrating it with Strategy and Business Development – a move that will enhance our ability to align the long-term priorities of our company.

Additionally, we made several key changes to my Senior Management Team. Francis Cuss became our Executive Vice President and Chief Scientific Officer. Giovanni Caforio became our Executive Vice President and Chief Commercial Officer. Anne Nielsen became our Chief Compliance and Ethics Officer. The responsibilities of Chief Financial Officer Charlie Bancroft expanded to include Strategy and Business Development. And we welcomed Ann Powell Judge, Senior Vice President for Human Resources.

Making a Difference

Throughout the year, we maintained our singular focus on people – those who use our medicines, those who live in our communities and those who call Bristol-Myers Squibb home. Whether we were driving results or building our future, everything we did in 2013 was centered on making a difference in people's lives.

Additionally, our commitment to people was the driving force behind the Bristol-Myers Squibb Foundation's work in Africa (HIV/AIDS, tuberculosis, cervical cancer), Asia (hepatitis B and C), North America (diabetes, cancer and returning veterans) and Europe (cancer).

Our commitment to people was the reason for our continued work in support of the United Nations Global Compact principles, our significant progress toward the Bristol-Myers Squibb Sustainability 2015 Goals and our own "Go Green" initiatives at our sites around the world.

And our commitment to people was at the heart of all we did to maintain a workplace that promotes diversity and inclusion and provides an atmosphere conducive to personal growth and professional development.

Going Forward

2014 promises to be another important year.

We will continue to drive results. We will continue to build our future. We will continue to make a difference in people's lives by providing new hope for our patients, new initiatives for our communities and new opportunities for our employees.

And we will do all of this while maintaining our steadfast commitment to business ethics and personal integrity.

This is who we are. This is what we do. This is Bristol-Myers Squibb today.

Lamberto Andreotti
Chief Executive Officer
March 5, 2014

> I am excited for our future. We have a strong portfolio. We have a promising new product pipeline. And we have an organization of people who continuously demonstrate their commitment to excellence and their ability to deliver.
>
> – James M. Cornelius, Chairman

MESSAGE FROM THE CHAIRMAN OF THE BOARD

You can feel the excitement throughout Bristol-Myers Squibb. Our company is strong. The Board believes our future is bright.

Since the inception of our BioPharma transformation in 2007, we have undertaken significant changes. We have sharpened our focus and targeted our resources. We have streamlined our operations and enhanced our agility. And through it all, we have strengthened our ability to fulfill our Mission "to discover, develop and deliver innovative medicines that help patients prevail over serious diseases."

Now, as we evolve to a specialty care company, we are taking the next step in this journey and taking our transformation to the next level. More than ever, we will now be able to focus on those products that can bring the greatest value to our patients.

This is a significant development – one that is good for our company and good for the patients we serve.

Although change is not always easy, it is often necessary, and over the years, our ability to change has been one of our strategic advantages. Bristol-Myers Squibb has long been the company that looks ahead, anticipates challenges and opportunities, and adapts accordingly. We did this in 2007. We continued doing this in 2013.

That said, our ability to stay true to our strategic framework and Mission has been equally important. We have remained firmly rooted in our foundation of innovation, continuous improvement and selective integration. And we have remained firmly committed to the patients at the center of everything we do.

Understandably, I am proud of all that we have accomplished during the past year. Sales of our new and in-line products remained strong. Clinical and regulatory advances built momentum. Organizational improvements continued. And by the end of the year, we were well on our way to becoming the industry's leading specialty care company. In addition, we welcomed two new members to our Board of Directors, Dinesh C. Paliwal, Executive Chairman, President and CEO of Harman International Industries, Inc., and Thomas J. Lynch, Jr., M.D., Director, Yale Cancer Center, and Physician-in-Chief, Smilow Cancer Hospital.

Understandably, too, I am excited for our future. We have a strong portfolio. We have a promising new product pipeline. And we have an organization of people who continuously demonstrate their commitment to excellence and their ability to deliver.

I am grateful to CEO Lamberto Andreotti and his Senior Management Team for providing the leadership needed to transform Bristol-Myers Squibb into a benchmark BioPharma company – one positioned for sustained long-term growth. And I am grateful to and proud of our more than 24,000 employees, who make it possible for us to do what we do best – deliver hope to patients worldwide.

Thank you.

James M. Cornelius
Chairman
March 5, 2014

EVOLVING TO A SPECIALTY CARE BIOPHARMA COMPANY

AT BRISTOL-MYERS SQUIBB, we have long understood that our success in making a difference in people's lives is a reflection of our ability to evolve and reinvent ourselves. At the same time, we have also understood the importance of staying true to our values and to the strategies that allow us to advance our company and our Mission: to discover, develop and deliver innovative medicines that help patients prevail over serious diseases.

In this **Special Report**, we will explore important changes we are making to meet the challenges and opportunities of a dynamic global external environment. We have realigned our Commercial, Finance and Manufacturing organizations to support our evolution to a specialty care business model. We have evolved our R&D strategic focus, product portfolio, pipeline and technology platforms to continue to address high unmet medical needs while better positioning us for long-term, sustainable growth. As part of that evolution, in early 2014, we divested our diabetes business to AstraZeneca. And we are significantly increasing our commitment to immuno-oncology, an emerging area of science in which we have pioneered and that offers great promise for patients and their families. We have also expanded our efforts in targeted oncology agents, as well as in HIV/AIDS, rheumatoid arthritis, stroke prevention and hepatitis C.

All these efforts will allow us to build on a strategic foundation first introduced in 2007 that rests on three pillars: innovation, selective integration and continuous improvement. These will enable us to better serve our Mission, bring innovative therapies to our patients and accelerate our evolution to a specialty care BioPharma company.

▲ *Miho Oyasu, Ph.D., examines the ability of a monoclonal antibody developed at the company's Redwood City, California, biologics research facility, to bind to – and potentially target – gastric cancer cells.*

EVOLVING OUR BUSINESS

SPECIALTY MEDICINES generally are used to treat serious or life-threatening conditions. Often, they are most prescribed by medical specialists, including oncologists, infectious disease experts, rheumatologists and cardiologists, and may require hospital-based interventions. In order to bring specialty medicines to market effectively, they require a highly focused and highly skilled commercial organization.

In late 2013, Bristol-Myers Squibb announced the creation of a single, fully integrated global Commercial organization that would be able to better support our evolving specialty care product portfolio and pipeline. Its aim is to be consistently superior in executing our commercial strategy across each brand and geographical location.

Changes were also announced to better align and focus the Global Finance, Strategic Planning, and Business Development groups, along with Enterprise Services and Global Manufacturing and Supply.

These changes are creating a more focused company, concentrated on a smaller number of core assets and priorities. This focus will enable R&D and Medical Affairs to better partner and align efforts with the Commercial organization. The aim is to develop and execute a global commercialization strategy for each product, while sharpening execution at the country level. In order to better serve payers, physicians and patients, we will rely on new cooperative models among our marketing, medical and access teams.

As always, our shared focus is to ensure that more patients have access to our current product portfolio, as well as future medicines that emerge from our robust pipeline.

LEVERAGING OUR CURRENT GROWTH DRIVERS FOR THE LONGER TERM

AS WE CONTINUE to develop a robust pipeline of new, innovative specialty care products for patients in immuno-oncology and targeted oncology therapies, cardiovascular conditions like stroke and heart failure, rheumatoid arthritis and other immune disorders, fibrotic diseases, and viral diseases including hepatitis C and HIV/AIDS, we are also focusing on sustaining and accelerating the momentum of many of our current drivers of growth.

Yervoy

Yervoy (ipilimumab) represents the company's first immuno-oncology therapy and is in a new class of therapies that works by harnessing the patient's immune system to fight cancer. Since its launch, *Yervoy* has had a major impact on the management of many patients with advanced melanoma. The product is currently marketed and reimbursed in more than 40 markets around the world, and a growing number of physicians have adopted it based on the potential for durable long-term survival, consistent with an expanding body of emerging clinical data. In 2013, *Yervoy* revenues grew 36% globally. In September 2013, a pooled analysis of survival data from 12 studies conducted in advanced melanoma patients demonstrated a three-year estimated survival rate of 22%, with some patients still alive and being followed for up to 10 years. In the fourth quarter of 2013, *Yervoy* received approval in the E.U. for first-line use in advanced melanoma, further expanding the number of patients who may potentially benefit. The company is building on the long-term data that have been seen with *Yervoy* to potentially enable more patients to benefit from a combination of immune checkpoint inhibitors. *Yervoy* also continues to be studied in adjuvant melanoma as well as a number of other cancers, either as monotherapy or in combination with other agents. While results presented in the fall of 2013 from the first Phase III trial testing *Yervoy* in an advanced form of prostate cancer did not meet the primary endpoint of overall survival, antitumor activity was observed in other efficacy endpoints, and the results in this advanced population support the potential role of immune-based therapies for prostate cancer. A second large trial of *Yervoy* in patients with less advanced disease is ongoing. *Yervoy* trials are also ongoing in lung, renal, gastric and ovarian cancers. (See more on immuno-oncology on page 12.)

Eliquis

Eliquis (apixaban) was initially approved in 2011 in the E.U. to prevent venous thromboembolic events (VTEs) following elective hip and knee replacement surgeries. Then in late 2012, the product gained approval in most major markets around the world to reduce the risk of stroke and systemic embolism in patients with

Yervoy (ipilimumab), approved for use in metastatic melanoma, is packaged at a Bristol-Myers Squibb manufacturing facility in Anagni, Italy, about 60 miles southeast of Rome, and distributed in more than 40 countries around the world. In addition to its current indication, *Yervoy* is being studied as monotherapy and in combination with other agents in prostate, lung, renal, gastric and ovarian cancers, as well as adjuvant melanoma. *Yervoy* works by inhibiting the CTLA-4 checkpoint pathway in the immune system. CTLA-4 normally helps keep immune system cells in check. By blocking its action, *Yervoy* helps the body's immune system by increasing activated T cells, mobilizing them to attack the tumor.

Potential New Uses for *Eliquis*

Venous thromboembolism (VTE), which includes deep vein thrombosis (DVT) and pulmonary embolism (PE), is a major source of morbidity and mortality, affecting about 900,000 patients in the U.S. and about 1 million patients in the E.U. each year. DVT is a disease characterized by the presence of blood clots in the deep veins. And while DVTs can cause pain and swelling, they become dangerous when a piece of the clot breaks off and becomes lodged in the lung. There they can cause chest pain, shortness of breath or even sudden death. *Eliquis*, a Factor Xa inhibitor that prevents clots from forming, is currently being reviewed by regulatory authorities as a potential treatment for VTEs based on two Phase III trials, *AMPLIFY* and *AMPLIFY-EXT*. *Eliquis* is already approved in many global markets for use in certain patients with atrial fibrillation to prevent stroke and in the E.U. and other countries around the world for the prevention of VTEs following hip and knee replacement surgeries.

Dr. Giancarlo Agnelli, a professor of medicine at the University of Perugia, Italy, was the principal investigator for both trials. "In *AMPLIFY* we looked at patients with confirmed DVTs or PEs. They were randomized to the current standard of care – an initial subcutaneous administration of enoxaparin for about one week, along with daily doses of warfarin – for six months, or to *Eliquis*," he says. From an efficacy point of view, *Eliquis* was comparable to the standard of care, though potentially more convenient, he says, because it was an all-oral regimen without the need for dose adjustment. "From a safety point of view," Agnelli adds, "in these clinical trials *Eliquis* showed a 70% reduction in major bleeding when compared with the standard of care."

After the initial treatment of VTE for six months to 12 months, physicians are faced with a great challenge in deciding whether or not to stop the blood thinner. *AMPLIFY-EXT* addressed this question. Patients were randomized to two different doses of *Eliquis* or placebo for another year. As Agnelli notes, "We found there was a high risk of VTE recurrence in patients given no treatment. But when treated with *Eliquis*, that risk was reduced by 80%. In addition, at the lower dose, the same dose used to prevent clots after orthopedic surgery, *Eliquis* had rates of bleeding that were comparable to placebo."

nonvalvular atrial fibrillation, the most common cardiac arrhythmia. *Eliquis* remains the only drug in its class to have shown superiority to warfarin, the long-held standard of care, for stroke and systemic embolism, major bleeding and mortality. In late 2013, additional submissions were accepted in the U.S. and E.U. for the use of *Eliquis* for the treatment of venous thromboembolism. In the U.S., regulatory authorities are also considering our submissions for its use in reducing the risk of potentially dangerous clots following elective hip and knee replacement surgery. Commercialization efforts in support of *Eliquis* are focused on cardiologists and hospitals, as well as certain primary care physician segments across markets. Increased emphasis on medical education has helped inform physicians about the product's profile, while new direct-to-consumer advertising in the U.S. is educating patients about this important treatment option.

Sprycel

Sprycel (dasatinib) continues to leverage its first-line indication to treat patients with Philadelphia chromosome-positive chronic phase chronic myeloid leukemia (CML). Supporting this effort are newly released data from a Phase III trial comparing *Sprycel* to imatinib presented in late December 2013. The data demonstrated that after four years of treatment, 76% of patients treated with *Sprycel*, compared to 63% of patients treated with imatinib, achieved a major molecular response, and 84% of patients treated with *Sprycel* versus 64% of patients treated with imatinib achieved what is considered an optimal molecular response. This information is important because patients who achieved these responses may have improved overall survival and progression-free survival. Additionally, new three-year safety and efficacy data for newly diagnosed patients and five-year data for patients resistant to imatinib were recently added to the U.S. label. *Sprycel* remains a convenient, once-daily treatment. Since its initial U.S. Food and Drug Administration (FDA) approval in 2006, more than 175,000 *Sprycel* prescriptions have been written in the U.S. alone. Revenues worldwide increased by 26% in 2013. Seeking to add benefit to more patients, we are currently conducting Phase I studies adding *Sprycel* to an immune-based therapy, which may have the potential to provide an even more durable response than *Sprycel* alone.

Orencia

Increasingly physicians who treat patients with rheumatoid arthritis (RA) recognize and value the efficacy and safety profile of *Orencia* (abatacept) and its use as first-line biologic therapy for patients with moderate to severe RA. A subcutaneous formulation is helping accelerate the product's growth in key global markets, including the U.S., providing an option for patients to self-administer the drug through injection instead of requiring travel to special infusion centers. The brand grew 23% worldwide in 2013. *Orencia* is also being studied in Phase III trials for potential use in lupus nephritis and psoriatic arthritis. In mid-2013, we announced a partnership with Simcere, a leading pharmaceutical company in China, to co-develop and co-commercialize the RA indication for *Orencia* in China.

Baraclude

Baraclude (entecavir) remains the global market leader in oral treatments for hepatitis B. For example, even in a highly competitive marketplace such as Japan, more than 90% of all naïve patients (those who have never received previous treatment for hepatitis B) are prescribed *Baraclude*. The product is also extensively prescribed in China and remains the number one pharmaceutical product in Taiwan and South Korea. *Baraclude* achieved worldwide revenue growth of 10% in 2013, even in the face of generic competition in key markets such as China, the world's largest hepatitis B market.

HIV/AIDS

With its long history in developing and commercializing antivirals to treat HIV/AIDS dating back to the earliest days of the pandemic, Bristol-Myers Squibb continues to be recognized as a market leader in virology, an increasingly competitive therapeutic area and market. We are exploring new ways to attack HIV and help make treatment simpler for patients. Meanwhile, we continue to focus on those patients who can continue to benefit the most from our existing therapies (*Reyataz*, *Atripla* and *Sustiva*). For example, *Reyataz* (atazanavir) is recommended in U.S. government treatment guidelines as part of a combination regimen for use in treatment-naïve adults and adolescents, as well as for pregnant HIV-infected women. *Atripla* (efavirenz/emtricitabine/tenofovir disoproxil fumarate), where we partner with Gilead, focuses primarily on naïve patients who can benefit from this one tablet-a-day regimen. In fact, *Atripla* remains the number-one-prescribed single-tablet HIV regimen in the U.S. *Sustiva* (efavirenz) was approved in the U.S. first as a once-daily medication and later within a single-tablet regimen as a component of *Atripla*. September 2013 marked the 15th anniversary of the initial approval of *Sustiva*. Its development continues, with FDA approval of an extended pediatric indication. The product is now available with a special "capsule sprinkle" method of administration for patients who can't swallow capsules or tablets.

THE DIABETES DIVESTITURE

IN LATE DECEMBER, Bristol-Myers Squibb took an important step to advance the company's BioPharma strategy and evolve to a specialty care business model. The company announced that it would divest its global diabetes business that was part of its collaboration with AstraZeneca. This important milestone enables the company to increase investment in our most significant opportunities and achieve our mission of discovering, developing and delivering innovative medicines that help more patients prevail in their fight against serious diseases.

The transaction, which closed on February 1, 2014, provides significant value to Bristol-Myers Squibb and allows us to further accelerate the evolution of our business model. The divestiture of the business to AstraZeneca included initial compensation of approximately $2.7 billion upon closing the transaction, with potential regulatory and sales-based milestone payments of up to $1.4 billion, royalties on net sales through 2025 and payments of up to $225 million if and when certain assets are transferred to AstraZeneca. Most of the approximately 4,000 company employees devoted to diabetes have been transferred to AstraZeneca, while Bristol-Myers Squibb R&D will continue to support certain ongoing diabetes clinical trial programs. A manufacturing and supply agreement also is in place.

The agreement to sell the diabetes business was announced just a few weeks before the approvals of *Farxiga* (dapagliflozin), a novel SGLT2 inhibitor to treat type 2 diabetes, in the U.S. (previously approved as *Forxiga* in Europe in November 2012) and *Xigduo* (combining dapagliflozin and metformin), for use in improving glycemic control, in Europe. These new medicines add to the portfolio of diabetes products that AstraZeneca will carry forward and from which Bristol-Myers Squibb will earn royalties as part of the deal structure.

The agreement will free up significant resources for Bristol-Myers Squibb to invest in numerous growth opportunities in specialty care, including *Eliquis*, potential new hepatitis C compounds and immuno-oncology. It will also increase the company's financial flexibility, with new funds available for capital allocation priorities, especially external business development. And it provides an important opportunity to simplify the company's operating model consistent with its pipeline and portfolio, by allowing us to focus more fully on specialty care products and leverage a more specialty care-oriented business model. Specialty care business models focus on disease areas of significant unmet medical need that are typically treated by physicians who specialize in a specific disease or therapeutic area, as opposed to general practitioners or primary care physicians.

Help to Enjoy the "Little Things" in Life

Growing up in Bridgeport, Connecticut, **Lucy Medina** was a typical energetic 16-year-old. She performed in a theater group and actually loved walking the several miles each day back and forth to school. Then the pains started – everywhere. She had to stop working as a waitress after school, and by the time her pediatrician sent her to a rheumatologist, she could barely walk. The diagnosis: rheumatoid arthritis (RA). Homebound, she missed the last six months of her junior year.

"The doctor started me on aspirin, then some steroids and other anti-inflammatories," says the 44-year-old part-time esthetician and cosmetic sales representative, who now lives in DeLand, Florida. "I stabilized for a while but was still getting flare-ups." At 19, she started on methotrexate and later, a TNF-alpha inhibitor biologic. "They helped lower the inflammation and stiffness, but the pain stayed," she adds. And she was still having flare-ups that forced her to stay home from work for long periods.

In 2002, her rheumatologist suggested a clinical trial for what was then an investigational biologic from Bristol-Myers Squibb called abatacept, which works by modulating parts of the immune system and reducing inflammation. "I knew I wasn't getting a placebo after the very first infusion," Medina recalls. "In just 2 to 3 weeks, I started to feel so much better."

In late 2005, that drug, *Orencia*, was approved in the U.S. for moderate to severe RA. When the trial ended, she stayed with *Orencia* and has never regretted it. "The pains began to subside and the flare-ups decreased," she says. "And every time my doctor would check for inflammation in my joints, there was less and less."

Today, despite having endured numerous surgeries caused by years of joint deterioration, her level of activity continues to improve. She is looking ahead to getting married and even buying her own motorcycle. "I'm not asking for much," Medina says, "just to have a simple life with my new husband and to enjoy the little things."

LEVERAGING INTERNAL ORGANIZATIONAL CAPABILITIES

A Single Integrated Global Commercial Organization

As Bristol-Myers Squibb sharpens its focus in specialty care, our newly integrated Commercial organization is concentrating on maximizing results by globalizing strategies and increasing its focus on market execution. As a result, critical commercial capabilities now will be more effectively shared across geographies. For instance, learnings gained from the German commercial organization on how to effectively navigate a complex health care technology appraisal (HTA) process will help colleagues in other countries as they seek to expand access for patients to innovative therapies. Across the globe, an emphasis on generating real-world outcomes data will be essential to access markets and benefit patients. And critical to the company's focus on specialty care will be a renewed emphasis on cooperation across field sales forces, marketing and market access groups. This will be important to better understand and meet the needs of patients, health care professionals and payers.

Global Finance/Business Development/Strategy

Since 2007, we have been evolving Bristol-Myers Squibb into a specialty care BioPharma company focused exclusively on discovering, developing and delivering innovative medicines that address serious unmet medical need. Driven by this fundamental strategy, we continue to grow our marketed products, progress our pipeline and pursue external opportunities. An integrated approach to Strategy, Financial Planning and Business Development is essential to support the company's effectiveness in meeting its short- and long-term goals. In 2013, we connected these three functions organizationally under the Chief Financial Officer to further strengthen linkages and impact. This is especially important to ensure appropriate capital allocation for what is clearly a primary company focus: external business development. The company remains committed to a healthy mix of internal and external programs to keep innovation levels high and balance internal capabilities with external expertise. Strong alignment across these groups is also helping the company execute continuous improvement efforts with a strategic eye toward what can drive greater effectiveness and efficiency in our operating model. In 2013, we implemented innovative solutions across the company that simplified our operations and delivered significant productivity savings. Looking ahead, Bristol-Myers Squibb will continue to implement our BioPharma strategy by driving the growth of key brands, executing new product launches, investing in our pipeline, maintaining a culture of continuous improvement, and pursuing disciplined capital allocation, including business development.

Enterprise Services

Our global business services group of experts in finance and administration, real estate management, information technology, human resources, and media and advertising seeks to enable and accelerate the work of an evolving Bristol-Myers Squibb. Deploying integrated teams and working with colleagues across the company, Enterprise Services is building efficient and effective capabilities that make it easier to get work done. Examples include new medical and drug safety information systems to continue to ensure the safe and appropriate use of our products, leveraging data capabilities to provide evidence of the value of our specialty care portfolio, and a new system for managing clinical trials. Working with our customer-facing colleagues, Enterprise Services is delivering a global system to replace seven disparate field force information and database systems around the world with a common shared system and interface. Enterprise Services is also working with manufacturing teams to improve and automate our manufacturing and distribution systems while ensuring the quality of our products. Working with human resources colleagues, we are deploying a single global workforce system that will help create value by lowering costs and enabling better workforce-related decision making. In addition, the process and system for contracting with external parties is being simplified. Adding a key cornerstone to a global delivery network, we opened the North America Capability Center in Tampa, Florida, in January 2014. It extends our talent pipeline into a vibrant labor market and creates career opportunities within the new center that can be leveraged across our company. In addition to cultivating the right competencies and building the right capabilities, Enterprise Services also focuses on reducing costs through continuous improvement efforts.

Global Manufacturing and Supply

Global Manufacturing and Supply is doing its part to transform itself and align its Manufacturing Network Strategy to adapt to the company's evolving specialty care model. An important component of the strategy is to build out the company's biologics manufacturing capacity, since biologics will likely continue to play a larger role in the company's mix of products. In April 2013, we announced a $280 million expansion of our large-scale biologics manufacturing facility in Devens, Massachusetts, in order to introduce biologics development and clinical trial manufacturing capabilities to the site. Over time, this expansion will add about 350 employees. Also announced during 2013 was an agreement with Samsung BioLogics to begin to manufacture antibody cancer drugs for Bristol-Myers Squibb at Samsung's recently completed plant in Songdo Incheon, South Korea. The 10-year agreement is part of a global strategy to create long-term relationships with high-quality manufacturing partners around the world to help ensure sufficient long-term supply of our commercial products. An important effort is under way to continue to enhance our manufacturing and quality reliability by better understanding and controlling our processes to remove variability.

EVOLVING OUR R&D FOCUS

THE COMPANY'S R&D ORGANIZATION already has a strong track record of innovation and productivity: 14 new product approvals in 10 years to treat disease areas such as cancer, serious mental illness, HIV/AIDS, hepatitis B, rheumatoid arthritis and cardiovascular disease. While we continue working in many of these areas, we are evolving our R&D strategy to ensure that we focus on areas where the science is advancing and where we can add the greatest value for patients requiring new treatment options. This approach is consistent with the company's BioPharma strategy and its evolving focus on specialty care.

Since 2007, we have become a stronger R&D organization. We have increased our biologics portfolio fourfold; executed numerous strategic partnerships, collaborations and acquisitions; and improved efficiency by managing R&D expenditures and delivering significant cost savings. As we shift toward a specialty care model, we are further refining our focus on areas of greatest medical need and making the investments required for success.

R&D is evolving in response to changes in the external environment, including new scientific advances and the need to deliver value to patients and the broader health care community. The result is a new set of strategic priorities in R&D that address patient need, evolve our disease areas of focus, and target new capabilities and innovative drug platforms. This section highlights specific priorities.

EXPANDING INVESTMENTS IN IMMUNO-ONCOLOGY R&D

BRISTOL-MYERS SQUIBB is leading advances in the emerging and rapidly evolving field of immuno-oncology with an ambitious but achievable goal: to change survival expectations for patients and families dealing with cancer and to change how patients live with cancer. We believe that the goals of durability of response and long-term, quality survival are most important for patients and are key as we seek to better understand the potential benefits of newer immuno-oncology agents. Our researchers are discovering and developing therapies that work directly with the body's immune system to fight cancer. Unlike older modalities of cancer treatment, such as chemotherapy and targeted drugs that focus only on intrinsic properties of the tumor, these molecules work by targeting the pathways tumor cells use to evade immune recognition and destruction. In 2011, Bristol-Myers Squibb launched the first such agent from its pipeline – *Yervoy* (ipilimumab) – to treat patients with advanced melanoma.

Yervoy is a checkpoint inhibitor, which blocks a pathway that would otherwise prevent the body's immune system from destroying tumor cells. It has already changed the possibilities for treatment of the deadliest form of skin cancer, becoming the first drug shown to extend survival among some patients with advanced melanoma. To seize the opportunity and accelerate new treatment possibilities, the company has decided to substantially increase our investment in immuno-oncology in 2014 in order to initiate and/or accelerate studies advancing multiple promising investigational candidates and to prepare for their submission for regulatory approval and, if approved, commercialization. As we continue to follow the science, our strategy is to invest in studying the application of immune-based therapies in a broad range of tumors, seeking optimal monotherapy and combination regimens.

Even as the company explores the potential for immune-based therapies in a variety of tumor types, the science continues to rapidly evolve and the cycle of innovation is accelerating. For example, historically, only certain tumors were considered to be sensitive to immuno-oncology agents. These tumors included malignant melanomas as well as renal cancer. However, researchers now understand that this distinction may be premature – and now *Yervoy* and other immune-based therapies in the company's pipeline are being studied in other tumor types, such as lung cancer, that would have formerly been excluded from researcher expectations.

In addition, when more traditional cytotoxic or targeted agents were developed, these older classes of cancer therapies

She Comes Up Fighting

Barbara Masullo, a longtime smoker, admits that she wasn't surprised when she was diagnosed with stage 4 lung cancer that had spread beyond both lungs. "But it scared me," says the 70-year-old retired bookkeeper who lives in Indian Land, South Carolina. "I think anybody is scared when you hear the big 'C.'" She began to struggle with where her "life was going to go, and how long it was going to be." The mother of three, and grandmother of six, Masullo knew she had much she wanted to live for and was determined to "come up fighting." Still, the chemotherapy took its toll – sapping her energy and appetite. After seven months, the treatment stopped working and the cancer returned. Family members suggested she enter a clinical trial with a new experimental immune-based agent, nivolumab, from Bristol-Myers Squibb. "I liked the idea of a different approach to fighting my cancer," she recalls. Today, her tumors have shrunk and she is optimistic. "Life is good," she says. "What's more, I love being part of this trial, because I feel that I am giving something back."

II-ON Collaboration Expands Immuno-Oncology Horizons

From the day that *Yervoy* (ipilimumab), an immune-based therapy, became the first agent to demonstrate a survival benefit in some patients with metastatic melanoma, it became clear that Bristol-Myers Squibb had broken new ground in what was potentially a new modality for treating cancer. Yet many questions remain about how the immune system interacts with tumor cells as opportunities to further improve patient outcomes abound.

To help advance that evolving science and how Bristol-Myers Squibb's own immuno-oncology pipeline could better benefit patients, in 2012 the company announced the International Immuno-Oncology Network (II-ON). The II-ON is a novel collaboration between Bristol-Myers Squibb and leading academic and research institutions. In its second year, the network has advanced on many fronts.

Investigators from 11 leading cancer and immuno-oncology research centers are working hand in hand with Bristol-Myers Squibb scientists and clinicians to explore a number of transformational questions in immuno-oncology that focus on synergies between combination immune-based therapies, resistance and biomarkers.

More than 40 translational projects have been initiated within the network to look for answers to some of these questions. Projects in discovery are helping advance new targets. Clinicians are investigating combining targeted therapies or radiation with immuno-oncology agents through the analysis of patient samples. And a number of early clinical trials that primarily focus on experimental combination therapies have begun. Importantly, investigators are continuing to gather data to better characterize the way immune-based therapies work and how they interact with tumor cells.

Access to a broader set of experts and expertise and a more diverse population of patients is stimulating vital interactions among participants while creating efficient feedback loops to inform other projects. And these types of collaborations are setting an important foundation for answering the big questions on the frontier of emerging science.

▲ *Left to right: Chuck Drake (Johns Hopkins University), Ignacio Melero (University of Navarra – Spain), Jedd Wolchok (Memorial Sloan Kettering), and Drew Pardoll (Johns Hopkins University)*

acted directly on the cancer cells themselves. Researchers focused primarily on understanding the interactions of these agents and the cancer cells in isolation from normal tissues and organ systems. However, in immuno-oncology, researchers must take a broader view, focusing on the patient's immune system and its complex interactions with the cancer. An advantage in using the body's own natural immune system to fight the tumor is that even though tumors keep changing and mutating to escape being attacked, the immune system may be equally adept at adapting and changing in response to adaptations by cancer cells. Immuno-oncology seeks to leverage those adaptive capabilities to aggressively attack tumors, thus potentially leveling the cancer playing field. Activating the immune system may also be accompanied by different types of side effects. As leaders in immuno-oncology, Bristol-Myers Squibb is pioneering approaches to monitor and manage these side effects, with the goal of optimizing the appropriate use of these newer agents.

Nivolumab is the most advanced immuno-oncology agent in the company's pipeline behind *Yervoy*, which is also being studied in adjuvant melanoma and prostate, renal, lung, gastric and ovarian cancers, either as monotherapy or in combination with other agents, including nivolumab.

Nivolumab targets the PD-1 blockade checkpoint that would normally block tumor recognition and destruction, while *Yervoy* blocks the CTLA-4 pathway of immune system T cells.

Nivolumab binds to the checkpoint receptor PD-1 expressed on activated T cells. By blocking that receptor from binding with signals from tumors, nivolumab breaks down tumor defenses directly at the tumor, either by preventing inactivation of or by reactivating T cells, which turns the immune response back on to attack the tumor. A Phase I combination trial of nivolumab with *Yervoy* for patients with advanced melanoma is ongoing with multiple cohorts of patients and several dose combinations. The hypothesis for combining nivolumab and *Yervoy* is that this regimen could generate a complementary and augmented T cell attack that restores the antitumor response, resulting in a more comprehensive anticancer immune response than either drug could mount alone. Data presented last May reported a response rate of more than 50%, with most responders experiencing at least 80% tumor shrinkage within 12 weeks of initiating treatment. A Phase III trial of this combination in advanced melanoma is currently under way. Similar combination studies are ongoing in other cancers. An advanced melanoma research program with nivolumab is ongoing with three Phase III trials under way, one in patients post-*Yervoy* treatment and two others in untreated patients either as monotherapy or in combination with *Yervoy*.

The development program for nivolumab comprises more than 30 studies in a wide range of tumor types, including non-small cell and small cell lung cancers, melanoma, renal cell carcinoma, hepatocellular carcinoma, hematological cancers, triple-negative breast cancer, gastric cancer, glioblastoma, colorectal cancer and pancreatic cancer. Among these are several potentially registrational trials, with the first wave focusing on non-small cell lung cancer, advanced melanoma and renal cell carcinoma.

In some tumor types, we have invested in multiple studies and approaches. For example, lung cancer, the leading cause of cancer deaths globally, killing more than 1.3 million people each year, is the target of a comprehensive development program where nivolumab is being studied in combination and as monotherapy in both squamous and non-squamous non-small cell lung cancer and in first-, second- and third-line settings. Non-small cell lung cancer accounts for about 85% of all lung cancer cases. Biomarkers are also being evaluated in some of these studies to potentially identify patient populations more likely to benefit from specific treatments. A Phase I study reported in October 2013 at the World Conference on Lung Cancer for pretreated patients with non-small cell lung cancer found that 42% of those treated with nivolumab were alive after one year and 24% were alive at two years. Most patients in this setting normally have a life expectancy measured only in months. These encouraging results have spurred researchers to seek to confirm these early data in ongoing nivolumab Phase III trials.

Nivolumab is also being studied in a Phase III trial in metastatic renal cell cancer in patients who have received prior therapy. Earlier trials are exploring the potential role of biomarkers in this tumor type, as well as various nivolumab combinations in first-line renal cell cancer, including a Phase I study combining *Yervoy* with nivolumab. Furthermore, the company has initiated larger Phase II trials for nivolumab in glioblastoma, an often fatal type of brain cancer, and in certain types of lymphomas.

The adaptive arm of the immune system, which includes T and B cells, adapts – as its name implies – against pathogens and cancer cells that can evade or overcome innate immune defenses. Natural killer (NK) cells and blood proteins that are always present make up part of the innate arm of the immune system. They are ready to fight microbes and cancers at the site of disease but do not adapt over time. The innate arm recognizes certain molecular patterns of disease and synergizes with the adaptive arm. Some immuno-oncology agents, including checkpoint inhibitors like *Yervoy* and nivolumab, work primarily through the adaptive immune system. Others modulate pathways of both the adaptive and innate arms of the immune system.

Bristol-Myers Squibb has a broad portfolio of immuno-oncology assets in earlier stages of development that target both the innate and the adaptive immune system. For example, anti-LAG3 antibody, which, like nivolumab, removes a block on the T cell, entered the clinic in late 2013. Based on evidence generated in preclinical models, anti-LAG3 is being studied as monotherapy and in combination with nivolumab. Also being studied are urelumab (an anti-CD137), which targets both the innate and adaptive arms of the immune system, in Phase I/II, and lirilumab, an anti-KIR monoclonal antibody that works by removing the brakes on natural killer cells (innate immune system). As we learn more about the complexity of our immune systems, new combinations of immuno-oncology agents may provide physicians with a new therapeutic arsenal for unleashing a patient's natural immune responses to even the most resistant cancers.

By exploring a broad array of agents and possibilities, Bristol-Myers Squibb immuno-oncology researchers, working alongside academic, non-profit and governmental partners, can use what they learn to advance an emerging science while potentially uncovering new possibilities for many patients.

FOCUSING ON TARGETED ONCOLOGY AGENTS

ALONG WITH IMMUNO-ONCOLOGY, the company continues to explore various types of targeted therapies.

Elotuzumab is a monoclonal antibody in advanced Phase III development to potentially treat patients with multiple myeloma, a hematological cancer originating in white blood cells. As the second most common blood cancer, with more than 100,000 new cases diagnosed annually worldwide, multiple myeloma

A Journey Toward Hope

By the time **Roberto**, a 62-year-old high school literature teacher in Genoa, Italy (pictured here with his wife, Rossana), was given daclatasvir and lambda interferon, two experimental treatments for hepatitis C from Bristol-Myers Squibb, in the spring of 2013, he had simply run out of options. His health issues began at just six months of age, with surgery for an angioma on his face. Other surgeries – and blood transfusions related to ongoing problems – followed, including a kidney transplant as a result of renal disease, and then renal cancer. He had tested positive for hepatitis C in 1990, likely the result of an infected transfusion, and by 2011, despite receiving standard hepatitis C treatments, his liver began to deteriorate. What's more, the kidney transplant made standard hepatitis treatments even more problematic. A friend of his contacted Bristol-Myers Squibb, who coordinated with doctors in the Liver Unit at University Hospital of Pisa to try to help. Investigators, who had been conducting clinical trials involving the Bristol-Myers Squibb experimental compounds, evaluated Roberto and decided that he was a good candidate for these investigational treatments. Fortunately, today Roberto has gained sustained virologic response, with undetectable viral loads reached after two weeks. "This wasn't an easy journey," he says, "but I was not alone. I'll be forever grateful to the people at Bristol-Myers Squibb Italy and the doctors at Pisa Cisanello Hospital for working so hard and with so much passion and dedication to help me get treatment. The professional and human commitment of so many people allowed me to heal and to have hope."

patients have a five-year survival rate that is less than 45% worldwide. The need for new agents is significant, since most patients will relapse and become resistant to currently available treatments. About 10,000 people die of the disease each year in the U.S. alone. Elotuzumab works by targeting a specific cell-surface protein called SLAMF7 (also known as CS1) that is expressed at high levels on the surface of myeloma cells and at lower levels on immune cells such as NK cells. It activates NK cells and targets them to directly kill the myeloma cells. Elotuzumab is also being studied in combination with other agents. Both refractory and first-line studies are ongoing. A Phase II study of previously treated patients, and in combination with two existing agents, has offered encouraging results.

Other experimental targeted oncology agents are focusing on inhibiting the Notch signaling pathway, implicated in a number of hematologic and solid tumors, and JAK2 signaling, whose hyperactivation may result in various myeloproliferative disorders. Also in early development is a monoclonal antibody that targets CXCR4, a pathway implicated in cancer proliferation and survival.

SEEKING FUNCTIONAL CURES IN HEPATITIS C

BRISTOL-MYERS SQUIBB has been a leader in researching new treatments for hepatitis C, a disease area with a significant need for new options. Hepatitis C virus (HCV) infects the liver and is transmitted through direct contact with infected blood and blood products. An estimated 170 million people worldwide are infected, though some are unaware, since symptoms often don't appear for years. Still, up to 90% of those infected will become chronically infected, because their bodies are unable to clear the infection themselves. And of those, 20% may develop cirrhosis, with about a quarter of them progressing to liver cancer if not treated. While the disease has an impact across the globe, Bristol-Myers Squibb's approach to its development efforts has targeted areas where the need for new treatments is greatest.

In late October 2013, Bristol-Myers Squibb submitted for regulatory approval in Japan the world's first interferon-free and ribavirin-free treatment regimen for patients with genotype 1b chronic hepatitis C infections. This all-oral dual regimen comprises two potent direct-acting antivirals (DAAs) discovered at Bristol-Myers Squibb. If approved, daclatasvir and asunaprevir, taken together, have the potential to be a significant advance over treatments that often result in side effects that older patients cannot tolerate. In fact, most of those infected in Japan are between 60 and 80 years old, often having contracted the virus from tainted blood-based products received during childbirth or surgery years earlier. About 1.2 million people in Japan are currently living with hepatitis C, with about 70% of them suffering from genotype 1b disease, one of the hardest types to treat. Many patients cannot tolerate or are ineligible for the current standard of care – and therefore often go untreated. If approved, the new regimen will address a significant unmet medical need.

Central to the Bristol-Myers Squibb treatments under investigation and submitted for approval is daclatasvir, a potent NS5A inhibitor that interferes with hepatitis C virus replication, which has the potential to be a foundational agent for multiple hepatitis C treatment regimens and combinations. Daclatasvir has been studied extensively with other antiviral inhibitors, as well as for use with the current standard of care. And because it has shown activity in all genotypes *in vitro*, it may be useful in a variety of patient populations that may be affected by different hepatitis C strains.

The company also is studying a broad portfolio of investigational compounds to identify new therapies and regimens to meet the needs of a global patient population. Asunaprevir is a second antiviral inhibitor that is being used in combination with daclatasvir to attack the virus at a second point in its replication by potently and selectively inhibiting the NS3 protease on the hepatitis C virus.

A third drug, BMS-791325, which is being studied with daclatasvir and asunaprevir as part of a single combination tablet triple regimen, is a potent and selective non-nucleoside NS5B polymerase inhibitor – another pathway to stop viral replication. A Phase II study in treatment-naïve patients with genotype 1 chronic hepatitis C infection found high rates of sustained virologic response at 12 weeks post treatment. Phase III trials of a single fixed-dose combination of these three drugs were initiated in late 2013. Phase III studies combining daclatasvir with other oral agents are also being planned for 2014 in patients with high unmet need, including pre- and post-liver transplantation, patients with HCV/HIV co-infections and patients with genotype 3 virus.

Finally, a fourth therapeutic option – lambda type III interferon – is being studied as an alternative to interferon alfa treatment. It mediates antiviral activity through a more targeted receptor than interferon alfa and therefore may result in fewer side effects and comparable efficacy.

Bristol-Myers Squibb's multipronged approach has already achieved major milestones in advancing the science around hepatitis C treatment. We were the first to demonstrate an essential role of NS5A in viral replication and assembly. We were also the first to study a dual oral regimen added to the current standard of care in the historically most difficult-to-treat patients. And we were the first to develop a novel type III interferon with a different profile than peginterferon alfa.

The submission application in Japan represents the first of a number of planned filings, with one for the U.S. during 2014. Our submission for daclatasvir to the European Medicines Agency announced in early 2014 was given accelerated regulatory review. We are seeking approval for its use in combination with other agents in adult patients with chronic hepatitis C

virus (genotypes 1, 2, 3 and 4) and compensated liver disease. In Europe, the burden of liver disease and other morbidities from hepatitis C is significant, with large numbers of patients in need of new treatment options. Because symptoms may not emerge for years, many patients who develop liver disease are older, which makes them more difficult to treat with the current standard of care.

Along with hepatitis C regimens currently under investigation in clinical trials are additional preclinical candidates that may prove useful in future combinations.

A PROMISING PIPELINE OF POSSIBILITIES

IN ADDITION TO the company's broad development programs in oncology and hepatitis C, a number of other promising new agents in virology as well as in immunoscience and cardiovascular disease are also being tested in clinical trials, as well as in earlier stages of discovery and development.

Virology

Over the next decade, as the high unmet need to treat hepatitis C infections is expected to diminish with the introduction of a number of new agents to potentially reduce viral loads to undetectable levels, the company expects to shift resources and expertise to other areas in virology, including HIV/AIDS and hepatitis B, where we have a strong history of success.

Globally, 34 million people are infected with HIV. In the U.S., at least one in three patients with HIV is prescribed a Bristol-Myers Squibb therapy as the company continues to drive leadership in this area. Over the past two decades, the introduction of drugs for HIV/AIDS has transformed the disease for many from a virtual death sentence to a chronic and more manageable condition. However, efforts to eradicate the disease, as well as to manage resistant disease, remain a critical focus. As patients with HIV live longer, additional treatment options, especially in new drug classes, are still needed.

Phase II studies are ongoing for new treatments that inhibit HIV replication, including an attachment inhibitor (BMS-663068) with a unique mechanism of action. It is the first investigational antiretroviral to prevent initial viral attachment to the host CD4+ T cell and HIV entry into the host immune cell by binding directly to the virus. Bristol-Myers Squibb is also developing a fixed-dose combination of *Reyataz* (atazanavir) with Gilead's drug cobicistat, a pharmacokinetic booster.

In both HIV/AIDS and hepatitis B research, the aim is to seek opportunities to address subpopulations as well as nonresponders. Based on the success in immuno-oncology, the hope is that immuno-virology, still in its early stage, may share similar principles and could play a role in developing advanced therapies in both disease states.

Immunoscience

Bristol-Myers Squibb has had a long-standing commitment to immunoscience research to develop innovative medicines for patients with diseases such as rheumatoid arthritis (RA). Although great advances have been made, there is a recognized need for additional disease-modifying therapies and more efficacious treatments that can lead to deep and sustainable remissions for more patients. Bristol-Myers Squibb scientists are currently collaborating with Alder Biopharmaceuticals to develop clazakizumab, a monoclonal antibody that targets the IL-6 pathway, specifically the IL-6 cytokine, a small protein involved in cell signaling. A subcutaneous formulation is being studied in adults with moderate to severe rheumatoid arthritis who have not responded to methotrexate (considered the anchor drug for RA treatment). Results of a Phase II study announced in 2013 demonstrated the efficacy of clazakizumab in controlling the signs and symptoms of RA, with low disease activity and remission rates. Further investigation is ongoing.

Fibrosis

The acquisition of Amira Pharmaceuticals in 2011 jump-started R&D efforts in fibrotic diseases, a new area of research for Bristol-Myers Squibb. These diseases, which are caused by the buildup of potentially deadly scar tissue in different parts of the body, represent a significant unmet medical need. Our lead asset is a receptor antagonist that targets LPA1, one of the most important signals driving the progressive and potentially fatal fibrosis that develops in the lungs, skin and other internal organs of those affected. It is in the clinic being studied for the treatment of idiopathic pulmonary fibrosis.

Cardiovascular

Along with continuing our focus on thrombosis, including expanding uses for *Eliquis* (apixaban) (see story on page 8), we are turning to a cardiovascular disease area where there remains significant unmet medical need – the treatment of heart failure. The company's scientists have identified compounds against a number of targets for heart failure, including a relaxin compound. Relaxin is a naturally occurring hormone that may play a role in the treatment of heart failure by improving cardiac function. Derivatives of relaxin were developed using a technology platform from Ambrx, which entered into a research alliance with Bristol-Myers Squibb in 2011.

Genetically Validated Low Prevalence Diseases

Chronic myeloid leukemia (CML) can be traced to a single genetic mutation, which *Sprycel* (dasatinib) addresses with its mode of action. And while CML's genetic origins have been identified and targeted, some 7,000 low prevalence diseases remain untreated today, many of which are genetically validated or defined. The company will seek to identify patient subpopulations that may benefit from new approaches to addressing these diseases. The aim will be to find defined patient groups with

RESEARCH & DEVELOPMENT PIPELINE

Disease Areas of Focus	Phase I	Phase II	Registrational*
Immuno-Oncology	**Anti-LAG3** **Denenicokin** **Lirilumab** **Urelumab** **Nivolumab -** Monotherapy and Various Combinations ***Yervoy* -** Various Combinations	**Nivolumab** Non-Hodgkin's Lymphoma (follicular lymphoma) Non-Hodgkin's Lymphoma (diffuse large B-cell lymphoma) **Nivolumab + *Yervoy*** Glioblastoma ***Yervoy*** Gastric Ovarian Adolescent Melanoma **Elotuzumab** 2nd-line Multiple Myeloma	***Yervoy*** 1st-line Squamous Non-Small Cell Lung Small Cell Lung Adjuvant Melanoma Metastatic Melanoma Dose Optimization Prostate (post-hormonal therapy) **Nivolumab** 1st-line Non-Small Cell Lung (PD-L1-positive patients) 2nd-line Squamous Non-Small Cell Lung 2nd-line Non-Squamous Non-Small Cell Lung 3rd-line Squamous Non-Small Cell Lung 1st-line Melanoma 2nd/3rd-line Melanoma 2nd/3rd-line Renal Cell Carcinoma **Nivolumab + *Yervoy*** 1st-line Melanoma **Elotuzumab** 1st-line Multiple Myeloma Relapsed/Refractory Multiple Myeloma
Oncology	**JAK2 Inhibitor** **Notch Inhibitors** **Anti-CXCR4**	***Sprycel*** Pancreatic Pediatric	***Erbitux*** Esophageal
Immunoscience	**Anti-CD40L** **Anti-CD28** **Anti-IL31**	**Eldelumab** Ulcerative Colitis Crohn's Disease **Clazakizumab** Rheumatoid Arthritis Psoriatic Arthritis	***Orencia*** Lupus Nephritis Psoriatic Arthritis ***Nulojix*** Switch from Calcineurin Inhibitor in Renal Transplant
Cardiovascular	**Factor XIa Inhibitor** **IKur Inhibitor** **PAR4 Antagonist** ***Eliquis* Pediatric**		***Eliquis*** Venous Thromboembolism Treatment
Virology	**Anti-PD-L1**	**HIV Attachment Inhibitor** **NRT Inhibitor** **HIV Program†**	**Peginterferon lambda-1a** Hepatitis C **Daclatasvir** Hepatitis C **Daclatasvir + Asunaprevir** Hepatitis C **Daclatasvir + Asunaprevir + NS5B Non Nuc** Hepatitis C ***Reyataz*** Pediatric Powder Fixed Dose with Cobicistat
Fibrotic Disease		**LPA1 Antagonist** Pulmonary Fibrosis	
Metabolics	**CCR2/5 Antagonist** **PEG-FGF21**	**CCR2/5 Antagonist** Diabetic Kidney Disease	

Development Partnerships: Nivolumab: Ono Pharmaceuticals; Elotuzumab: AbbVie; Lirilumab: Innate Pharma; *Sprycel*: Otsuka; *Erbitux*: Eli Lilly; Clazakizumab: Alder BioPharmaceuticals; *Eliquis*: Pfizer; *Atripla*: Gilead

Pipeline data as of February 1, 2014

* *Registrational includes investigational drugs or indications/formulations for approved medicines that are in later stage clinical development or have been submitted to regulatory agencies for approval.*

† *Mechanism of action not disclosed.*

Building the Right Technology Platform

Developing antibody drug conjugates (ADC) is an idea that dates back 20 or more years. Could you design a monoclonal antibody that can target a tumor cell and deliver a cytotoxic payload while sparing normal tissue? The challenge was getting the right technology to put theory into practice. Today, company scientists in Princeton, New Jersey, and Redwood City, California, are working together on an ADC technology platform that can produce targeted biologics to deliver potent therapeutic payloads, with linker molecules that attach these critical components in just the right way.

"One problem in the past was that we didn't have highly potent cytotoxics as payloads," says Gregory Vite, Ph.D., executive director, Oncology Chemistry, who also leads the ADC technology platform team. And while chemists focus on getting the linker and small molecules that compose the payload right, colleagues in Redwood City are developing human monoclonal antibodies to target specific types of tumor cells. Pina Cardarelli, Ph.D., vice president, Cell Biology and Physiology, leads that group. "The challenge is how to get the efficacy-to-toxicity profile just right, so that the payload comes off the antibody at a sufficient rate in humans to kill the tumors and spare the normal tissue."

In December, the group members advanced their first candidate into development, while pursuing multiple backup strategies. "For our antibodies, we have an antigen target that is highly expressed in a number of malignancies, but with limited normal tissue expression," Cardarelli reports. "And as a platform, while today we are targeting the elimination of cancer cells, tomorrow we might consider targeting immune cells to treat autoimmune diseases or potentially use this technology to modify a specific pathway and affect the production of fibrotic tissue."

Chemists and biologists are looking for new classes of cytotoxic agents that interfere with different intracellular mechanisms leading to tumor-cell killing. They continue to refine ADCs to be more efficacious, more stable and less toxic to the non-cancerous tissue. And the team is redesigning what are already complex molecular structures to deliver more than one drug payload at a time. "The science and technology are extremely complicated and resource intensive," Vite admits. "Thankfully, we have the resources and expertise to push the technology and begin to produce ADCs that can make a real difference for patients."

▲ *At Bristol-Myers Squibb's biologics drug discovery laboratories in Redwood City, California, scientist Ganapathy Sarma and research assistant Alyson Nickols review a western blot-generated image of an antibody drug conjugate under development.*

specific issues in their genomes that can be targeted. The company has created a new Exploratory Biology and Genomics group to aid in that effort.

Developing Innovative Drug Platforms

As R&D evolves its focus, it is also investing in technology platforms that concentrate on new ways to affect disease targets, including antibody drug conjugates, which combine the targeted benefits of biologics with the cancer-killing ability of traditional small-molecule chemotherapies. R&D also will further expand the potential use of millamolecules, which are larger than small molecules but smaller than biologics. These millamolecules may be able to better exploit novel targets and mechanisms by retaining the desirable properties of small molecules with the high degree of selectivity, especially against antigens, that biologics and small molecules have had difficulty targeting. ▪

CORPORATE SOCIAL RESPONSIBILITY

BRISTOL-MYERS SQUIBB FOUNDATION

THE MISSION OF the Bristol-Myers Squibb Foundation is to promote health equity and improve the health outcomes of populations disproportionately affected by serious diseases. During 2013, the Foundation pursued a variety of important programs to advance that mission around the world. Several strategies link its efforts: building health care system capacity at the community level by enhancing health care worker training and mobilizing communities and supportive services; fostering innovation; and encouraging sustainability by leveraging investments and sharing learnings in a variety of ways, including by establishing Centers of Excellence.

The *Delivering Hope* program has continued to focus on community support to combat hepatitis B and hepatitis C in China and India by building on its 10-year legacy and further developing three Centers of Excellence to share lessons learned. At the same time, the program is sharpening its focus on hepatitis C and on patient empowerment and advocacy.

In Africa, *SECURE THE FUTURE* continues to provide technical assistance across a wide range of community-based efforts centered on HIV/AIDS prevention and care, and a variety of co-morbidities and related illnesses, including tuberculosis (TB) and cervical cancer, which has become the leading cancer killer of women in a number of countries in southern Africa. Efforts are under way in southern and east Africa to address this serious concern. As part of that effort in late 2013, the Foundation announced more than $500,000 in grants to community-based groups to increase community awareness, screening and prevention of cervical cancer in Tanzania, where it is the leading cause of cancer-related morbidity and mortality and where 80% of patients die within five years. Addressing another health challenge, the Foundation has collaborated with the World Health Organization's (WHO) Stop TB department since 2011 in Africa to find more effective ways of reaching the one-third of people estimated to have TB who are either not reached for diagnosis or treatment or not reported by current health systems. It has focused on developing community-based models with civil society to augment WHO and local government efforts. Phase II of that collaboration, to implement and expand those efforts, is under way. Finally, because the average age of HIV-infected children in countries like Botswana is now 14 (it was under five 10 years ago), we now support teen centers to provide assistance for teenagers living with HIV/AIDS in the five countries in which the Foundation and the Baylor College of Medicine have established Children's Clinical Centers of Excellence.

The *Together on Diabetes* initiative completed grant making in late 2013 and will now focus on sharing best practices and successful models emerging from the innovative projects implemented by partners in more than 55 communities across the U.S. The newly established *Morehouse School of Medicine/ Bristol-Myers Squibb Foundation Partnership for Equity in Diabetes* will create a web-based resource center with project stories, lessons learned, tools and resources, as well as engage communities to replicate and scale these approaches to create a more effective response to the diabetes epidemic.

Another area of focus has been developing and investing in initiatives around mental health issues for returning veterans of the wars in Iraq and Afghanistan. Men and women who entered the U.S. Armed Forces after September 11, 2001, can face a range of mental health issues that may affect their quality of life and their families, from severe depression and post-traumatic stress to substance abuse and traumatic brain injuries, all of which have contributed to alarming suicide rates. The Foundation launched its *Mental Health and Well-being* initiative to fund innovative programs that can establish sustainable community-based support systems and care models for veterans and their families. Ten grants totaling $3.28 million were awarded in late 2013.

And in oncology, a new group of Centers of Excellence in oncology nursing is being established by the Foundation's *Bridging Cancer Care* program in Central and Eastern Europe, where cancer mortality is well above the rest of Europe and where resources for cancer care and support are lacking. Nurses in the region can play a critical and expanded role in delivering community-based care for patients with cancer, which has been demonstrated through nursing-focused *Bridging Cancer Care*-funded projects since 2010. The new Centers of Excellence will build upon the learnings of previous grants to promote training and capacity building for nurses throughout the region. A program that builds on some of the lessons learned in Central and Eastern Europe is now being developed in the southeastern U.S. (See story on page 22.)

Bridging Cancer Care in the U.S.

In 2014, using learnings about the most effective community-based strategies to address health inequities in cancer care and support – developed through the *Bridging Cancer Care* program in Central and Eastern Europe as well as through other Foundation programs around the world – the Bristol-Myers Squibb Foundation will begin to address lung cancer in the southeastern U.S., an area also known as the Tobacco Belt.

Historically recognized as a major tobacco-growing region stretching from Indiana to Florida, the Tobacco Belt is now characterized by some of the highest lung cancer incidence and mortality rates in the U.S. The Foundation's *Bridging Cancer Care* program will focus on this region as it begins developing partnerships and model programs. Key program priorities will include comprehensive disease education programs, navigating patients to resources and care, and supporting lung cancer patients as they manage the disease and treatment in their communities.

A COMMITMENT TO SUSTAINABILITY

BRISTOL-MYERS SQUIBB'S efforts to advance our Sustainability 2015 Goals and commitment to economic, social and environmental sustainability contributed to our top-five designation on the 2013 Corporate Responsibility magazine list of the "100 Best Corporate Citizens." We also reported our greenhouse gas emissions and water use through the Carbon Disclosure Project (CDP) and achieved a position on the CDP S&P 500 Climate Disclosure Leadership Index. In 2013, we signed the Guiding Principles on Access to Healthcare to help frame and describe the health care industry's approach to reducing the global burden of disease and improving global health outcomes. And in late 2013, Bristol-Myers Squibb entered into an agreement with the Medicines Patent Pool that aims to further access to atazanavir in the developing world. The agreement includes 110 least developed low- and middle-income countries where approximately 29 million people are living with HIV.

On the environmental front, we continue to actively identify opportunities to reduce our company's energy and water use with about 220 projects implemented since 2010. To help, we established a Water Council to assess and implement additional projects to further reduce water use. We also reduced the amount of packaging material purchased in 2013 by about 930 tons compared with 2009, when we set our 2015 goals. At the same time, we continue to find opportunities to improve our environmental impact across all our operations. For example, to help offset the CO_2 emissions of our field sales force fleet, 55,000 trees were planted within the last three years in areas surrounding Munich, Germany.

One of our top priorities is workplace safety as we work diligently to continue to improve our overall safety performance. Efforts include promoting a culture of safety with the yearlong "Make Every Month Safe" campaign, to educate, engage and provide appropriate tools to our employees.

Employee engagement in all these efforts is critical. Our employees were actively involved in the annual Go Green Earth Day celebrations at more than 50 sites worldwide. In addition, many employees volunteer in community projects, like harvesting vegetables for NJ Farmers Against Hunger, for delivery to local soup kitchens and food banks. During 2013, more than 1,000 company employees participated in 65 community-centered Helping Hands events. Another indication of our focus on the communities where we work and live was a $100,000 grant from the company to support a Center for Green Schools Fellow placed by the U.S. Green Building Council at the New Jersey School Boards Association. The Fellow will work with leaders from more than 550 public school districts in the state to provide direction, training and resources to develop greener school buildings.

Bristol-Myers Squibb | Financial Review

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

EXECUTIVE SUMMARY

Bristol-Myers Squibb Company (which may be referred to as Bristol-Myers Squibb, BMS, the Company, we, our or us) is a global specialty care biopharmaceutical company whose mission is to discover, develop and deliver innovative medicines that help patients prevail over serious diseases. We license, manufacture, market, distribute and sell pharmaceutical products on a global basis.

The comparability of total revenues and earnings to the prior year periods was impacted by the reduction in our share of *Abilify* (aripiprazole) revenues from 51.5% in 2012 to 34.0% in 2013, the acquisition of Amylin and expanded diabetes alliance arrangement with AstraZeneca in 2012, the loss of exclusivity of *Plavix* in 2012, and a $1.8 billion intangible asset impairment charge in 2012.

As we transitioned away from *Plavix* and *Avapro*/*Avalide*, we continued to grow our key brands. We also shifted our strategic focus in early-stage research and development and advanced our immuno-oncology portfolio, our hepatitis C portfolio and the rest of our late-stage pipeline.

In February 2014, BMS sold to AstraZeneca the diabetes business of BMS which comprised our global alliance with them, including all rights and ownership to *Onglyza* (saxagliptin), *Forxiga* (dapagliflozin), *Bydureon* (exenatide extended-release for injectable suspension), *Byetta* (exenatide), *Symlin* (pramlintide acetate) and metreleptin. AstraZeneca paid $2.7 billion to BMS at closing, a $600 million milestone in February 2014 for the approval of *Farxiga* (dapagliflozin) in the U.S., and will make contingent regulatory and sales-based milestone payments of up to $800 million and royalty payments based on net sales through 2025. See "Note 5 Assets Held-For-Sale" for further discussion.

Highlights

The following table summarizes our financial information:

	Year Ended December 31,		
Dollars in Millions, except per share data	**2013**	2012	2011
Total Revenues	**$ 16,385**	$ 17,621	$ 21,244
Total Expenses	**13,494**	15,281	14,263
Earnings before Income Taxes	**2,891**	2,340	6,981
Provision for/(Benefit from) Income Taxes	**311**	(161)	1,721
Effective tax/(benefit) rate	***10.8%***	*(6.9)%*	*24.7%*
Net Earnings Attributable to BMS			
GAAP	**2,563**	1,960	3,709
Non-GAAP	**3,019**	3,364	3,921
Diluted Earnings Per Share			
GAAP	**1.54**	1.16	2.16
Non-GAAP	**1.82**	1.99	2.28
Cash, Cash Equivalents and Marketable Securities	**8,272**	6,352	11,642

Our non-GAAP financial measures, including non-GAAP earnings and related EPS information, are adjusted to exclude specified items which represent certain costs, expenses, gains and losses and other items impacting the comparability of financial results. For a detailed listing of all specified items and further information and reconciliations of non-GAAP financial measures see "—Non-GAAP Financial Measures" below.

Business Environment

The pharmaceutical/biotechnology industry is highly competitive and subject to numerous government regulations. Many competitive factors may significantly affect revenues of our products, including product efficacy, safety, price, demand, competition and cost-effectiveness; marketing effectiveness; market access; product labeling; quality control and quality assurance of our manufacturing operations; and research and development of new products. To successfully compete in the healthcare industry, we must demonstrate that our products offer medical benefits and cost advantages. Our new product introductions often compete with other products already on

the market in the same therapeutic category, in addition to potential competition of new products that competitors may introduce in the future. We manufacture branded products, which are priced higher than generic products. Generic competition is one of our key challenges.

In the pharmaceutical/biotechnology industry, the majority of an innovative product's commercial value is usually realized during its market exclusivity period. Afterwards, it is no longer protected by a patent and is subject to new competing products in the form of generic brands. Upon exclusivity loss, we can experience a significant reduction of that product's sales in a short period of time. Competitors seeking approval of biological products under a full Biologics License Application (BLA) must file their own safety and efficacy data and address the challenges of biologics manufacturing, involving more complex processes and costs than those of other pharmaceutical operations. Under the U.S. healthcare legislation enacted in 2010, there is an abbreviated path for regulatory approval of biosimilar versions of biological products. This path for approval of biosimilar products under the U.S. healthcare legislation significantly affects the regulatory data exclusivity for biological products. The legislation provides a regulatory mechanism allowing for regulatory approval of biologic drugs similar to (but not necessarily generic copies of) innovative drugs on the basis of less extensive data than required by a full BLA. It is not possible at this time to reasonably assess the impact of the U.S. biosimilar legislation on the Company.

Globally, the healthcare industry is subject to various government-imposed regulations authorizing prices or price controls that will continue to impact our total revenues. In March 2010, the U.S. government enacted healthcare reform legislation, signing into law the Patient Protection and Affordable Care Act (HR 3590) and a reconciliation bill containing a package of changes to the healthcare bill. We will continue to experience additional financial costs and certain other changes to our business as healthcare law provisions become effective.

The aggregate financial impact of U.S. healthcare reform over the next few years depends on a number of factors, including but not limited to pending implementation guidance, potential changes in sales volume eligible for the new rebates, discounts or fees, and the expected increase in the number of people with healthcare coverage from the Patient Protection and Affordable Care Act.

In many regions outside the U.S., we operate in environments of government-mandated, cost-containment programs, or under other regulatory bodies or groups exerting downward pressure on pricing. For example, pricing freedom is limited in the United Kingdom (UK) by the operation of a profit control plan and in Germany by the operation of a reference price system. Many European countries have continuing fiscal challenges as healthcare payers, including government agencies, have reduced and are expected to continue to reduce the cost of healthcare through actions that directly or indirectly impose additional price restrictions. Companies also face significant delays in market access for new products as more than two years can elapse after drug approval before new medicines are available in some countries.

The growth of Managed Care Organizations (MCOs) in the U.S. significantly impacted competition in the healthcare industry. MCOs seek to reduce healthcare expenditures for participants through volume purchases and long-term contractual discounts with various pharmaceutical providers. Because of the market potential created by the large pool of participants, marketing prescription drugs to MCOs is an important part of our strategy. Companies compete for inclusion in MCO formularies and we generally are successful in having our key products included. We believe that developments in the managed care industry, including on going consolidation, continue to have a downward pressure on prices.

Pharmaceutical and biotechnology production processes are complex, highly regulated and vary widely by product. Shifting or adding manufacturing capacity is usually a lengthy process requiring significant capital expenditures and regulatory approvals. Biologics manufacturing involves more complex processes than those of traditional pharmaceutical operations. As biologics become a larger percentage of our product portfolio, we will continue to maintain supply arrangements with third-party manufacturers and incur substantial investments to increase our internal capacity to produce biologics on a commercial scale. The United States Food and Drug Administration (FDA) approved our large scale multi-product bulk biologics manufacturing facility in Devens, Massachusetts in May 2012 and we continue to make capital investments in the facility.

We maintain a competitive position in the market and strive to uphold this position, depending on our success in discovering, developing and delivering innovative, cost-effective products to help patients prevail over serious diseases.

We are the subject of a number of significant pending lawsuits, claims, proceedings and investigations. It is not possible at this time to reasonably assess the final outcomes of these investigations or litigations. For additional discussion of legal matters, see "Note 22 Legal Proceedings and Contingencies."

Strategy

Since 2007, we have been transforming BMS into a leading-edge biopharma company focused exclusively on discovering, developing, and delivering innovative medicines that address serious unmet medical needs. We continue to evolve driven by this fundamental objective as we grow our marketed products and progress our pipeline.

We are focused on four core therapeutic areas: oncology, virology, immunology, and specialty cardiovascular disease. Within oncology, we are pioneering innovative medicines in the area of immuno-oncology which unlock the body's own immune system to battle cancer. *Yervoy* (ipilimumab), our first immuno-oncology agent, was introduced in 2011 for the treatment of metastatic melanoma and we continue to invest significantly in our deep pipeline of innovative medicines in this area covering a broad array of cancers.

We are evolving our commercial model and growing our marketed product portfolio in a manner consistent with our overall strategy. In oncology, we are building on the success of *Yervoy*, which yielded 2013 revenues of nearly $1 billion, and other products such as *Sprycel* (dasatinib) and *Erbitux* (cetuximab). Beyond oncology, we continue to support key brands in our virology franchise such as *Reyataz* (atazanavir sulfate) and *Baraclude* (entecavir) (together accounting for approximately $3 billion in revenues in 2013), in addition to investing in *Orencia* (abatacept), the key brand in our immunology portfolio, which accounted for approximately $1.4 billion in revenues in 2013. Additionally, we are strongly committed to *Eliquis* (apixaban), a novel oral anti-coagulant, which launched globally in 2013.

In February 2014, we divested our diabetes portfolio which allows us to further accelerate the evolution of our business model into a leading specialty care biopharma company. This transaction also allows us to focus our resources behind our growth opportunities that drive the greatest long-term value.

Looking ahead, we will continue to implement our biopharma strategy by driving the growth of key brands, executing new product launches, investing in our pipeline, maintaining a culture of continuous improvement, and pursuing disciplined capital allocation, including through business development.

Product and Pipeline Developments

We manage our research and development (R&D) programs on a portfolio basis, investing resources in each stage of research and development from early discovery through late-stage development. We continually evaluate our portfolio of R&D assets to ensure that there is an appropriate balance of early-stage and late-stage programs to support future growth. We consider our R&D programs that have entered into Phase III development to be significant, as these programs constitute our late-stage development pipeline. These development programs include both investigational compounds in Phase III development for initial indications and marketed products that are in Phase III development for additional indications or formulations. Spending on these programs represents approximately 30-45% of our annual R&D expenses. No individual investigational compound or marketed product represented 10% or more of our R&D expenses in any of the last three years. While we do not expect all of our late-stage development programs to make it to market, our late-stage development programs are the R&D programs that could potentially have an impact on our revenue and earnings within the next few years. The following are the recent significant developments in our marketed products and our late-stage pipeline:

Hepatitis C Portfolio - (Daclatasvir - a NS5A replication complex inhibitor in development; Asunaprevir - a NS3 protease inhibitor in development; BMS-791325 - a NS5B non-nucleoside polymerase inhibitor in development)

- In January 2014, the Company announced that the European Medicines Agency (EMA) has validated the marketing authorization application (MAA) for the use of daclatasvir for the treatment of adults with chronic hepatitis C with compensated liver disease, including genotype 1, 2, 3 and 4. The application seeks the approval of daclatasvir for use in combination with other agents, including sofosbuvir, for the treatment of chronic hepatitis C. The EMA's validation marks the start of an accelerated regulatory review process.

- In November 2013, the Company announced the submission of a New Drug Application (NDA) to Japan's Pharmaceutical and Medical Devices Agency. The submission was based on results from a Phase III study demonstrating that the 24-week, all-oral regimen of daclatasvir and asunaprevir achieved an overall sustained virologic response 24 weeks after the end of treatment of 84.7% in Japanese patients with chronic hepatitis genotype 1b who were either interferon ineligible/intolerant or non-responders (null and partial) to interferon-based therapies.

- In April 2013, at the European Association for the Study of the Liver in Amsterdam, the Company announced new Phase II data demonstrating that 12- and 24-week triple direct-acting antiviral treatment regimens of daclatasvir, asunaprevir, and BMS-791325 showed high rates of sustained virologic response of up to 94% in treatment-naïve, genotype 1 chronic hepatitis C patients, at time points ranging from 4 to 36 weeks post-treatment. The FDA designated this triple-DAA regimen as a Breakthrough Therapy for the treatment of chronic hepatitis C.

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

- In December 2013, the Company announced that the FDA has granted an additional six month period of exclusivity to market *Baraclude*.

- In February 2013, the U.S. District Court for the District of Delaware invalidated the composition of matter patent covering *Baraclude*, which was scheduled to expire in 2015. See "Note 22 Legal Proceedings and Contingencies" for further discussion. The Company is prepared to take legal action in the event that Teva Pharmaceutical Industries Ltd. (Teva) chooses to launch its generic product prior to the resolution of the Company's appeal.

Sustiva (efavirenz) - a non-nucleoside reverse transcriptase inhibitor for the treatment of Human Immunodeficiency Virus (HIV)

- In February 2013, the Company announced that the FDA has granted an additional six-month period of exclusivity to market *Sustiva*. Exclusivity for *Sustiva* in the U.S. is now scheduled to expire in March 2015.

Nivolumab - a fully human monoclonal antibody that binds to the programmed death receptor-1 (PD-1) on T and NKT cells that is being investigated as an anti-cancer treatment.

- In October 2013, the Company announced long-term follow-up results from the lung cancer cohort (n=129) of the expanded Phase I dose-ranging study (003) of nivolumab. Results showed sustained activity in heavily pre-treated patients with non-small-cell lung cancer as defined by one- and two-year survival rates of 42% and 24%, respectively, across dose cohorts.
- In June 2013, the Company announced the results from Study 004, a dose-ranging Phase I trial evaluating the safety and anti-tumor activity of nivolumab combined either concurrently or sequentially with *Yervoy* in patients with advanced melanoma. In patients who received the dose used in the Phase III trial (1 mg/kg nivolumab + 3 mg/kg *Yervoy*) in the concurrent regimen, 53% had confirmed objective responses by modified World Health Organization criteria. In all nine of the responders, tumors shrank by at least 80% by the time of the first scheduled clinical treatment assessment (12 weeks), including three complete responses.

Sprycel (dasatanib) - an oral inhibitor of multiple tyrosine kinases indicated for the first-line treatment of adults with Philadelphia chromosome-positive chronic myeloid leukemia in chronic phase and the treatment of adults with chronic, accelerated, or myeloid or lymphoid blast phase chronic myeloid leukemia with resistance or intolerance to prior therapy, including *Gleevec* (imatinib meslylate). *Sprycel* is part of our strategic alliance with Otsuka.

- In December 2013, at the American Society of Hematology, the Company and Otsuka announced four-year follow-up data from the Phase III DASISION study of *Sprycel* 100 mg once daily vs. *Gleevec* (400 mg daily) in the first-line treatment of adults with Philadelphia chromosome-positive chronic phase chronic myeloid leukemia. At four years, 76% of *Sprycel* patients vs. 63% of *Gleevec* patients achieved a major molecular response. Additionally, 84% of *Sprycel* patients vs. 64% of *Gleevec* patients achieved BCR-ABL $\leq$ 10% at three months, which is considered an optimal molecular response as defined by treatment guidelines (2013 European LeukemiaNet guidelines). Patients in both arms who achieved this response at three months had improved overall survival and progression-free survival at four years versus those who did not. At four years, 67% of *Sprycel* patients (n=172) and 65% of *Gleevec* patients (n=168) remained on treatment.

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

- In November 2013, the EMA has approved the use of *Yervoy* in first line (chemotherapy naïve) advanced melanoma patients.
- In September 2013, at the European Cancer Congress, results were presented from a pooled analysis of survival data for 12 studies in patients with metastatic or locally advanced or unresectable melanoma who were treated with *Yervoy* at different doses and regimens, including the investigational dose of 10 mg/kg and some patients who were followed for up to 10 years. The analysis found that a plateau in the survival curve begins at three years, with some patients followed for up to ten years. At three years, 22% of patients were alive.

- In September 2013, the Company announced results from the Phase III randomized, double-blind clinical trial (Study 043) comparing *Yervoy* to placebo following radiation in patients with advanced metastatic castration-resistant prostate cancer who have received prior treatment with docetaxel. The study's primary endpoint of overall survival did not reach statistical significance. However, antitumor activity was observed across some efficacy endpoints, including progression free-survival.

Elotuzumab - a humanized monoclonal antibody being investigated as an anticancer treatment. Elotuzumab is part of our strategic alliance with AbbVie Inc. (AbbVie).

- In June 2013, the Company and AbbVie announced updated efficacy and safety data from a small, randomized Phase II, open-label study in patients with previously-treated multiple myeloma that evaluated two doses of elotuzumab in combination with lenalidomide and low-dose dexamethasone. In the 10 mg/kg arm, which is the dose used in the ongoing Phase III trials, median progression-free survival (PFS), or the time without disease progression, was 33 months after a median follow-up of 20.8 months and the objective response rate (ORR) was 92%. As previously reported, median PFS was 18 months in the 20 mg/kg arm after a median follow-up of 17.1 months and ORR was 76%.

Abilify (aripiprazole) - an antipsychotic agent for the treatment of schizophrenia, bipolar mania disorder and major depressive disorder and is part of our strategic alliance with Otsuka

- In January 2013, the European Commission (EC) approved *Abilify* for the treatment of pediatric bipolar mania.

Metreleptin - a protein in development for the treatment of lipodystrophy that was part of our strategic alliance with AstraZeneca and included in our sale of the diabetes business to them

- In June 2013, the Company and AstraZeneca announced the FDA has accepted the filing and granted a Priority Review designation for the BLA. In July 2013, the FDA notified the Company and its partner, AstraZeneca, that it will require a three-month extension to complete its review of the data supporting the BLA. In December 2013, the Company and AstraZeneca announced the FDA's Endocrinologic and Metabolic Drugs Advisory Committee (EMDAC) recommended metreleptin for the treatment of pediatric and adult patients with generalized lipodystrophy (LD). EMDAC did not recommend metreleptin in patients with partial LD for the indication currently proposed. The Company and AstraZeneca remain committed to pursuing metreleptin for treatment in patients with metabolic disorders associated with partial LD. The Companies acknowledged the EMDAC's feedback and will continue to work with the FDA to identify the appropriate patients with partial LD who may benefit from metreleptin. The Prescription Drug User Free Act (PDUFA) date, the date by which a decision by the FDA is expected, is February 27, 2014.

Farxiga/*Xigduo (*dapagliflozin and metformin hydrochloride) - an oral sodium-glucose cotransporter (SGLT2) inhibitor for the treatment of diabetes that was part of our strategic alliance with AstraZeneca and included in our sale of the diabetes business to them

- In January 2014, the Company and AstraZeneca announced that *Xigduo* has been granted marketing authorization by the European Commission for the treatment of type 2 diabetes in the EU.
- In January 2014, the Company and AstraZeneca announced the FDA has approved *Farxiga* to improve glycemic control, along with diet and exercise, in adults with type 2 diabetes.
- In September 2013, at the Annual Meeting of the European Association for the Study of Diabetes (EASD), the Company and AstraZeneca announced results from a Phase III study evaluating dapagliflozin in adult patients with type 2 diabetes who were inadequately controlled on combination treatment with metformin plus sulfonylurea. Patients treated with dapagliflozin as an add on therapy to metformin plus sulfonylurea demonstrated significant improvements in glycosylated hemoglobin levels (HbA1c) and, among key secondary endpoints, significant reductions in fasting plasma glucose and body weight compared to placebo at 24 weeks. Significant improvements were also observed in seated systolic blood pressure at eight weeks in patients treated with dapagliflozin compared to placebo.
- In June 2013, the Company and AstraZeneca announced the results of a two-week Phase IIa pilot study evaluating *Farxiga* added to insulin in 70 adult patients with sub-optimally controlled type 1 diabetes, which showed that the mean of daily blood glucose derived from 7-point glucose measurements trended downward in all treatment groups through day seven and reductions in total daily insulin dosing at day seven were observed with *Farxiga*.
- In March 2013, the Japanese Ministry of Health, Labor and Welfare also accepted for review the regulatory submission for *Farxiga* for the treatment of type 2 diabetes.
- In January 2013, China‘s State Food and Drug Administration accepted for review the regulatory submission for *Farxiga* for the treatment of type 2 diabetes.

Onglyza (saxagliptin) - a once-daily oral tablet for the treatment of type 2 diabetes that is part of our strategic alliance with AstraZeneca and included in our sale of the diabetes business to them

- In February 2014, the FDA announced that it is requesting clinical trial data to investigate a possible association between use of *Onglyza*/*Kombiglyze* and heart failure. The FDA stated that this request is part of a broader evaluation that the FDA is conducting of all type 2 diabetes drug therapies and cardiovascular risk.

- In September 2013 at the European Society of Cardiology, the Company and AstraZeneca announced the full results of the SAVOR clinical trial in adult patients with type 2 diabetes. In this study, *Onglyza* met the primary safety objective, demonstrating no increased risk for the primary composite endpoint of cardiovascular death, non-fatal myocardial infarction or non-fatal ischemic stroke, when added to a patient's current standard of care (with or without other anti-diabetic therapies), as compared to placebo. *Onglyza* did not meet the primary efficacy endpoint of superiority to placebo for the same composite endpoint. Patients treated with *Onglyza* experienced improved glycemic control and reduced development and progression of microalbuminuria over two years as assessed in exploratory analyses. At a subsequent meeting (the Annual Meeting of the EASD) additional subanalyses from SAVOR were presented. These subanalyses found no increased rate of hypoglycemia among patients treated with *Onglyza* compared to placebo when added to metformin monotherapy, at baseline. These subanalyses also found higher rates of hypoglycemia only in the *Onglyza* group compared to the placebo group among patients taking sulfonylureas, agents known to cause hypoglycemia, at baseline. In addition, the subanalyses found that rates of adjudication-confirmed pancreatitis were balanced between the *Onglyza* and placebo treatment groups. Observed rates of pancreatic cancer were also low (5 patients in the *Onglyza* arm versus 12 patients in the placebo arm).

Orencia (abatacept) - a fusion protein indicated for adult patients with moderate to severe rheumatoid arthritis who have had an inadequate response to one or more currently available treatments, such as methotrexate or anti-tumor necrosis factor therapy.

- In June 2013, the Company and Ono Pharmaceutical Co., Ltd. announced that the Japanese Ministry of Health Labour and Welfare approved the subcutaneous formulation of *Orencia* for the treatment of rheumatoid arthritis in cases where existing treatments are inadequate.

- In June 2013, the Company announced the results of year two data from AMPLE which compared the subcutaneous formulation of *Orencia* versus *Humira* (adalimumab), each on a background of methotrexate in biologic naïve patients with moderate to severe rheumatoid arthritis. AMPLE met its primary endpoint as measured by non-inferiority of American College of Rheumatology 20% improvement at year one. The *Orencia* regimen achieved comparable rates of efficacy versus the *Humira* regimen (64.8% vs 63.4%, respectively).

Eliquis - an oral Factor Xa inhibitor, targeted at stroke prevention in nonvalvular atrial fibrillation (NVAF) and the prevention and treatment of venous thromboembolic (VTE) disorders. *Eliquis* is part of our strategic alliance with Pfizer.

- In December 2013, the Company and Pfizer announced that the FDA has accepted for review a Supplemental New Drug Application for *Eliquis* for treatment of deep vein thrombosis (DVT) and pulmonary embolism (PE), and for the reduction in the risk of recurrent DVT and PE. The PDUFA date is August 25, 2014.

- In November 2013, the European Medicines Agency accepted for review an application for *Eliquis* for the treatment of DVT and PE, and prevention of recurrent DVT and PE.

- In September 2013 at the European Society of Cardiology (ESC) Congress, the Company and Pfizer announced the results of a posthoc subanalysis from the Phase III ARISTOTLE trial, which evaluated *Eliquis* compared to warfarin in patients with or without other types of valvular heart disease (VHD) who were eligible for enrollment in the ARISTOTLE trial, including mitral regurgitation, mitral stenosis, aortic regurgitation, aortic stenosis, tricuspid regurgitation, or valve surgery. The results of this subanalysis were consistent with the results of the overall ARISTOTLE trial and demonstrated that *Eliquis* compared with warfarin reduced stroke or systemic embolism, caused fewer major bleeding events, and reduced all-cause mortality in NVAF patients with or without VHD.

- In August 2013 at the ESC, the Company and Pfizer announced the results of a post-hoc subanalysis from the Phase III ARISTOTLE trial which showed comparable rates of clinical events versus the warfarin treatment arm in a 30-day period following a procedure which required the temporary discontinuation of an anticoagulant prior to and following the procedure.

- In July 2013, the Company and Pfizer announced that the FDA has accepted for review a Supplemental New Drug Application for *Eliquis*, for the prophylaxis of deep vein thrombosis, which may lead to pulmonary embolism, in adult patients who have undergone hip or knee replacement surgery. The PDUFA date is March 15, 2014.

- In June 2013, the Company and Pfizer announced that results from the Phase III AMPLIFY trial, which evaluated *Eliquis* versus the current standard of care for the treatment of acute venous thromboembolism, were published online by the *New England Journal of Medicine* and presented at the International Society on Thrombosis and Haemostasis congress in Amsterdam. The results showed that *Eliquis* demonstrated comparable efficacy and significantly lower rates of major bleeding in patients compared to the current standard of care.

- In May 2013, the Company and Pfizer announced the results from a prespecified subanalysis of the ARISTOTLE trial were published in Circulation, the peer-reviewed journal of the American Heart Association. The trends across the subgroup analysis were consistent with the overall study results that had demonstrated *Eliquis'* superiority versus warfarin in the reduction of stroke or systemic embolism and the number of major bleeding events and mortality in patients with NVAF.
- *Eliquis* received regulatory approval for the reduction of the risk of stroke and systemic embolism in patients with NVAF in South Korea in January, in Israel and Russia in February, and in Mexico and Colombia in April 2013.
- *Eliquis* received regulatory approval for the prevention of venous thromboembolic events in adult patients who have undergone elective hip or knee replacement surgery in China in January and in Mexico in April 2013.

RESULTS OF OPERATIONS

Total Revenues

The composition of the changes in revenues was as follows:

	Year Ended December 31,			2013 vs. 2012				2012 vs. 2011			
	Total Revenues			Analysis of % Change				Analysis of % Change			
Dollars in Millions	2013	2012	2011	Total Change	Volume	Price	Foreign Exchange	Total Change	Volume	Price	Foreign Exchange
United States	$ 8,318	$ 10,384	$ 14,039	(20)%	(19)%	(1)%	—	(26)%	(30)%	4 %	—
Europe	3,930	3,706	3,879	6 %	7 %	(3)%	2 %	(4)%	6 %	(3)%	(7)%
Rest of the World	3,295	3,204	3,237	3 %	11 %	(2)%	(6)%	(1)%	2 %	(1)%	(2)%
Other[(a)]	842	327	89	**	N/A	N/A	—	**	N/A	N/A	—
Total	$ 16,385	$ 17,621	$ 21,244	(7)%	(5)%	(1)%	(1)%	(17)%	(17)%	2 %	(2)%

(a) Other total revenues include royalties and other alliance-related revenues for products not sold by our regional commercial organizations.
** Change in excess of 100%.

No single country outside the U.S. contributed more than 10% of total revenues in any period presented. In general, our business is not seasonal.

The change in U.S. revenues in both periods attributed to volume reflects the exclusivity loss of *Plavix* in May 2012 and *Avapro*/*Avalide* in March 2012, partially offset by increased demand for most key products and Amylin-related product revenues following the completion of our acquisition in August 2012.

The change in U.S. revenues in 2013 attributed to price was a result of the reduction in our share of *Abilify* (aripiprazole) revenues from 51.5% in 2012 to 34.0% in 2013 (8% impact) partially offset by higher average net selling prices of *Abilify* and other key products. The change in U.S. revenues in 2012 attributed to price was a result of higher average net selling prices of *Abilify* and other key products partially offset by the reduction in our share of *Abilify* revenues from 53.5% to 51.5% in 2012. See "—Key Products" for further discussion of total revenues by key product.

Revenues in Europe increased in 2013 due to volume growth for most key products, Amylin-related product revenues following the transition of non-U.S. operations in the the second quarter of 2013 and favorable foreign exchange partially offset by the restructured Sanofi agreement. See "Note 3 Alliances" for further discussion. Revenues decreased in 2012 primarily due to unfavorable foreign exchange and lower revenues of certain mature brands from divestitures and generic competition as well as generic competition for *Plavix* and *Avapro/Avalide* partially offset by volume growth for most key products. Revenues in both periods continued to be negatively impacted by fiscal challenges in many European countries as healthcare payers, including government agencies, have reduced and are expected to continue to reduce healthcare costs through actions that directly or indirectly impose additional price reductions. These measures include, but are not limited to, mandatory discounts, rebates, and other restrictive measures.

Revenues in the Rest of the World increased in 2013 due to volume growth for most key products partially offset by the restructured Sanofi agreement, unfavorable foreign exchange (particularly in Japan), and generic competition for mature brands. Revenues in the Rest of the World decreased in 2012 due to generic competition for *Plavix* and *Avapro/Avalide* and lower revenues of mature brands from generic competition and divestitures partially offset by volume growth for most key products.

Other revenues increased in 2013 due to higher royalties resulting from the restructured Sanofi agreement and alliance and other revenue attributed to mature brands and over-the-counter products alliances. Other revenues increased in 2012 due to enhanced royalty-related

revenues and higher revenues attributed to active pharmaceutical ingredient supply agreements resulting from divestitures of manufacturing facilities and restructured alliance agreements. These revenues are expected to decline in 2015 and 2016 upon the expiration of certain royalty and alliance agreements. See "Note 3 Alliances" for further discussion of the alliances.

In February 2014, BMS sold to AstraZeneca the diabetes business of BMS which comprised our global alliance with them, including all rights and ownership to *Onglyza*, *Forxiga*, *Bydureon*, *Byetta*, *Symlin* and metreleptin. Total revenues of these products were $1.7 billion in 2013. See "Note 5 Assets Held-For-Sale" for further discussion.

We recognize revenue net of gross-to-net adjustments that are further described in "—Critical Accounting Policies". Our share of certain *Abilify* and *Atripla* revenues is reflected net of all gross-to-net adjustments in alliance and other revenues. Although not presented as a gross-to-net adjustment in the below tables, our share of *Abilify* and *Atripla* gross-to-net adjustments were approximately $1.1 billion in 2013, $1.5 billion in 2012 and $1.3 billion in 2011. Changes in these gross-to-net adjustments were impacted by additional rebates and discounts required under U.S. healthcare reform and a reduction in our share of *Abilify* revenues.

The activities and ending reserve balances for each significant category of gross-to-net adjustments were as follows:

Dollars in Millions	Charge-Backs Related to Government Programs	Cash Discounts	Healthcare Rebates and Other Contract Discounts	Medicaid Rebates	Sales Returns	Other Adjustments	Total
Balance at January 1, 2012	$ 51	$ 28	$ 417	$ 411	$ 161	$ 181	$ 1,249
Provision related to sale made in:							
Current period	651	191	351	423	256	451	2,323
Prior period	—	1	(67)	(37)	(8)	(17)	(128)
Returns and payments	(663)	(208)	(561)	(459)	(88)	(435)	(2,414)
Amylin acquisition	2	1	34	13	23	3	76
Impact of foreign currency translation	—	—	1	—	1	—	2
Balance at December 31, 2012	$ 41	$ 13	$ 175	$ 351	$ 345	$ 183	$ 1,108
Provision related to sale made in:							
Current period	563	154	504	360	114	540	2,235
Prior period	—	—	(5)	(85)	(52)	(6)	(148)
Returns and payments	(565)	(153)	(477)	(388)	(107)	(479)	(2,169)
Assets/related liabilities held-for-sale	(2)	(2)	(48)	(11)	(20)	(1)	(84)
Impact of foreign currency translation	—	—	(2)	—	(1)	(1)	(4)
Balance at December 31, 2013	**$ 37**	**$ 12**	**$ 147**	**$ 227**	**$ 279**	**$ 236**	**$ 938**

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

	Year Ended December 31,			% Change	
Dollars in Millions	**2013**	2012	2011	2013 vs. 2012	2012 vs. 2011
Gross product sales	**$ 14,391**	$ 15,849	$ 20,385	(9)%	(22)%
Gross-to-Net Adjustments					
Charge-Backs Related to Government Programs	**(563)**	(651)	(767)	(14)%	(15)%
Cash Discounts	**(154)**	(192)	(282)	(20)%	(32)%
Managed Healthcare Rebates and Other Contract Discounts	**(499)**	(284)	(752)	76 %	(62)%
Medicaid Rebates	**(275)**	(386)	(536)	(29)%	(28)%
Sales Returns	**(62)**	(248)	(76)	(75)%	**
Other Adjustments	**(534)**	(434)	(350)	23 %	24 %
Total Gross-to-Net Adjustments	**(2,087)**	(2,195)	(2,763)	(5)%	(21)%
Net product sales	**$ 12,304**	$ 13,654	$ 17,622	(10)%	(23)%

** Change in excess of 100%

Gross-to-net adjustment rates are primarily a function of changes in revenues mix and contractual and legislative discounts and rebates. Gross-to-net adjustments decreased in 2013 and 2012 due to:

- Chargebacks related to government programs, cash discounts and Medicaid rebates decreased in both periods as a result of lower *Plavix* revenues following its loss of exclusivity.
- Managed healthcare rebates and other contract discounts in 2013 increased primarily due to Amylin-related net product sales. Managed healthcare rebates and other contract discounts in 2012 decreased primarily as a result of lower *Plavix* revenues following its loss of exclusivity. Managed healthcare rebates and other contract discounts in 2012 also decreased due to a $67 million reduction in the estimated amount of Medicare Part D coverage gap discounts attributable to prior period rebates after receiving actual invoices and the nonrenewal of *Plavix* contract discounts in the Medicare Part D program as of January 1, 2012.
- The estimated Medicaid rebates attributable to prior period sales were reduced by $85 million in 2013 and $37 million in 2012 after receiving actual invoices and other information from certain state Medicaid administrative offices.
- The provision for sales returns was higher in 2012 as a result of the loss of exclusivity of *Plavix* and *Avapro*/*Avalide*. The U.S. sales return reserves for these products were $147 million and $173 million at December 31, 2013 and 2012, respectively, and were determined after considering several factors including estimated inventory levels in the distribution channels. In accordance with Company policy, these products are eligible to be returned between six months prior and twelve months after product expiration. Adjustments to these reserves might be required in the future for revised estimates to various assumptions including actual returns, which are mostly expected to occur in 2014.
- Other adjustments increased in 2013 primarily due to higher government rebates in non-U.S. markets. Other adjustments increased in 2012 due to U.S. co-pay and coupon programs.

Key Products

Revenues of key products represented 83% of total revenue in 2013, 84% in 2012 and 86% in 2011. The following table presents U.S. and international revenues by key product, the percentage change from the prior period and the foreign exchange impact when compared to the prior period. Commentary detailing the reasons for significant variances for key products is provided below:

	Year Ended December 31,			% Change		% Change Attributable to Foreign Exchange	
Dollars in Millions	**2013**	2012	2011	2013 vs. 2012	2012 vs. 2011	2013 vs. 2012	2012 vs. 2011
Key Products							
Virology							
Baraclude (entecavir)	**$ 1,527**	$ 1,388	$ 1,196	10 %	16 %	(3)%	(2)%
U.S.	**289**	241	208	20 %	16 %	—	—
Non-U.S.	**1,238**	1,147	988	8 %	16 %	(3)%	(2)%
Reyataz (atazanavir sulfate)	**1,551**	1,521	1,569	2 %	(3)%	(1)%	(3)%
U.S.	**769**	783	771	(2)%	2 %	—	—
Non-U.S.	**782**	738	798	6 %	(8)%	(2)%	(6)%
Sustiva (efavirenz) Franchise	**1,614**	1,527	1,485	6 %	3 %	—	(2)%
U.S.	**1,092**	1,016	950	7 %	7 %	—	—
Non-U.S.	**522**	511	535	2 %	(4)%	1 %	(5)%
Oncology							
Erbitux (cetuximab)	**696**	702	691	(1)%	2 %	—	—
U.S.	**682**	688	681	(1)%	1 %	—	—
Non-U.S.	**14**	14	10	—	40 %	—	(2)%
Sprycel (dasatinib)	**1,280**	1,019	803	26 %	27 %	(4)%	(4)%
U.S.	**541**	404	299	34 %	35 %	—	—
Non-U.S.	**739**	615	504	20 %	22 %	(7)%	(6)%
Yervoy (ipilimumab)	**960**	706	360	36 %	96 %	—	N/A
U.S.	**577**	503	323	15 %	56 %	—	—
Non-U.S.	**383**	203	37	89 %	**	—	N/A
Neuroscience							
Abilify (aripiprazole)	**2,289**	2,827	2,758	(19)%	3 %	—	(1)%
U.S.	**1,519**	2,102	2,052	(28)%	2 %	—	—
Non-U.S.	**770**	725	706	6 %	3 %	1 %	(7)%
Metabolics							
Bydureon (exenatide extended-release for injectable suspension)	**298**	78	N/A	**	N/A	N/A	N/A
U.S.	**263**	75	N/A	**	N/A	—	N/A
Non-U.S.	**35**	3	N/A	**	N/A	N/A	N/A
Byetta (exenatide)	**400**	149	N/A	**	N/A	N/A	N/A
U.S.	**304**	147	N/A	**	N/A	—	N/A
Non-U.S.	**96**	2	N/A	**	N/A	N/A	N/A
Forxiga (dapagliflozin)	**23**	—	N/A	N/A	N/A	N/A	N/A
U.S.	**N/A**	N/A	N/A	N/A	N/A	—	N/A
Non-U.S.	**23**	—	N/A	N/A	N/A	N/A	N/A
Onglyza/Kombiglyze (saxagliptin/saxagliptin and metformin)	**877**	709	473	24 %	50 %	—	(2)%
U.S.	**591**	516	346	15 %	49 %	—	—
Non-U.S.	**286**	193	127	48 %	52 %	(2)%	(9)%

Dollars in Millions	Year Ended December 31, 2013	2012	2011	% Change 2013 vs. 2012	% Change 2012 vs. 2011	% Change Attributable to Foreign Exchange 2013 vs. 2012	% Change Attributable to Foreign Exchange 2012 vs. 2011
Key Products (continued)							
Immunoscience							
Nulojix (belatacept)	**$ 26**	$ 11	$ 3	**	**	—	N/A
U.S.	**20**	9	3	**	**	—	—
Non-U.S.	**6**	2	—	**	N/A	—	N/A
Orencia (abatacept)	**1,444**	1,176	917	23 %	28 %	(2)%	(2)%
U.S.	**954**	797	621	20 %	28 %	—	—
Non-U.S.	**490**	379	296	29 %	28 %	(8)%	(6)%
Cardiovascular							
Avapro/Avalide (irbesartan/irbesartan-hydrochlorothiazide)	**231**	503	952	(54)%	(47)%	—	(1)%
U.S.	**(7)**	155	549	**	(72)%	—	—
Non-U.S.	**238**	348	403	(32)%	(14)%	—	(3)%
Eliquis (apixaban)	**146**	2	—	**	N/A	—	N/A
U.S.	**97**	—	N/A	N/A	N/A	—	—
Non-U.S.	**49**	2	—	**	N/A	—	N/A
Plavix (clopidogrel bisulfate)	**258**	2,547	7,087	(90)%	(64)%	—	—
U.S.	**153**	2,424	6,709	(94)%	(64)%	—	—
Non-U.S.	**105**	123	378	(15)%	(67)%	3 %	(1)%
Mature Products and All Other	**2,765**	2,756	2,950	—	(7)%	(1)%	(3)%
U.S.	**474**	524	527	(10)%	(1)%	—	—
Non-U.S.	**2,291**	2,232	2,423	3 %	(8)%	(1)%	(3)%

** Change in excess of 100%

Baraclude — an oral antiviral agent for the treatment of chronic hepatitis B

- U.S. revenues in both periods increased due to higher average net selling prices and higher demand. We may experience a rapid and significant decline in U.S. revenues beginning in 2014 due to possible generic competition following a Federal court's decision in February 2013 invalidating the composition of matter patent.
- International revenues increased in both periods due to higher demand partially offset by unfavorable foreign exchange.

Reyataz — a protease inhibitor for the treatment of the HIV

- U.S. revenues in 2013 decreased due to lower demand partially offset by higher average net selling prices. U.S. revenues in 2012 increased due to higher average net selling prices.
- International revenues in 2013 increased due to higher demand and the timing of government purchases in certain countries. International revenues in 2012 decreased due to unfavorable foreign exchange, the timing of government purchases in certain countries and lower demand resulting from competing products.

Sustiva Franchise — a non-nucleoside reverse transcriptase inhibitor for the treatment of HIV, which includes *Sustiva*, an antiretroviral drug, and bulk efavirenz, which is also included in the combination therapy, *Atripla* (efavirenz 600 mg/emtricitabine 200 mg/ tenofovir disoproxil fumarate 300 mg), a product sold through our alliance with Gilead

- U.S. revenues in 2013 increased due to higher average net selling prices partially offset by lower demand. U.S. revenues in 2012 increased primarily due to higher demand and higher average net selling prices.
- International revenues in 2013 increased due to favorable foreign exchange. International revenues in 2012 decreased due to unfavorable foreign exchange.

Erbitux — a monoclonal antibody designed to exclusively target and block the Epidermal Growth Factor Receptor, which is expressed on the surface of certain cancer cells in multiple tumor types as well as normal cells and is currently indicated for use against colorectal cancer and head and neck cancer. *Erbitux* is part of our strategic alliance with Lilly.

- U.S. revenues in both periods remained relatively flat.

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

- U.S. revenues in both periods increased primarily due to higher demand and higher average net selling prices.
- International revenues in both periods increased primarily due to higher demand partially offset by unfavorable foreign exchange.

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

- U.S. revenues in both periods increased due to higher demand. U.S. revenues in 2013 were also favorably impacted by the recognition of $27 million of revenues that were previously deferred until sufficient historical experience to estimate sales returns was developed.
- International revenues in both periods increased due to higher demand.

Abilify — an antipsychotic agent for the treatment of schizophrenia, bipolar mania disorder and major depressive disorder and is part of our strategic alliance with Otsuka

- U.S. revenues decreased due to a reduction in our contractual share of revenues from 51.5% in 2012 to a 34.0% in 2013, which was partially offset by higher average net selling prices. U.S. revenues in 2012 increased due to higher average net selling prices and a $62 million reduction in BMS's share in the estimated amount of customer rebates and discounts attributable to 2011 based on actual invoices received.
- International revenues in both periods increased primarily due to higher demand. International revenues were impacted by unfavorable foreign exchange in 2012.

Bydureon — a once-weekly GLP-1 receptor agonist for the treatment of type 2 diabetes and was part of our strategic alliance with AstraZeneca

- U.S. revenues are included in our results since the completion of our Amylin acquisition in August 2012.
- The transition of international operations of *Bydureon* in a majority of markets from Lilly was completed in the second quarter of 2013. See "Note 3 Alliances" for further discussion.

Byetta — a twice daily glucagon-like peptide-1 (GLP-1) receptor agonist for the treatment of type 2 diabetes and was part of our strategic alliance with AstraZeneca

- U.S. revenues are included in our results since the completion of our Amylin acquisition in August 2012.
- The transition of international operations of *Byetta* in a majority of markets from Lilly was completed in the second quarter of 2013. See "Note 3 Alliances" for further discussion.

Forxiga — an oral sodium-glucose cotransporter (SGLT2) inhibitor for the treatment of type 2 diabetes and was part of our strategic alliance with AstraZeneca

- *Forxiga* was launched for the treatment of type 2 diabetes in a limited number of EU markets during the fourth quarter of 2012 and continues to be launched in various EU markets.

Onglyza/Kombiglyze (known in the EU as *Onglyza/Komboglyze*) — a once-daily oral tablet for the treatment of type 2 diabetes and was part of our strategic alliance with AstraZeneca

- U.S. revenues in 2013 increased primarily due to higher average net selling prices. U.S. revenues in 2012 increased primarily due to higher overall demand and higher average net selling prices.
- International revenues increased in both periods primarily due to higher demand, which was partially offset by unfavorable foreign exchange in 2012.

Nulojix — a fusion protein with novel immunosuppressive activity targeted at prevention of kidney transplant rejection

- *Nulojix* was approved and launched in the U.S. and EU during 2011.

Orencia — a fusion protein indicated for adult patients with moderate to severe rheumatoid arthritis who have had an inadequate response to one or more currently available treatments, such as methotrexate or anti-tumor necrosis factor therapy

- U.S. revenues in both periods increased primarily due to higher demand and higher average net selling prices.
- International revenues in both periods increased primarily due to higher demand, partially driven by the launch of the subcutaneous formulation of *Orencia* in certain EU markets beginning in the second quarter of 2012, partially offset by unfavorable foreign exchange.

Avapro/Avalide (known in the EU as *Aprovel/Karvea*) — an angiotensin II receptor blocker for the treatment of hypertension and diabetic nephropathy that is also part of the Sanofi alliance

- U.S. revenues are no longer recognized following the restructured Sanofi agreement, effective January 1, 2013. Negative sales in 2013 were due to an increase in the sales return reserve for *Avalide*. U.S. revenues decreased in 2012 due to the loss of exclusivity in March 2012.
- International revenues were impacted by changes attributed to the restructured Sanofi agreement. See "Note 3 Alliances" for further discussion. International revenues in 2012 decreased due to lower demand including from generic competition in certain EU markets and Canada.

Eliquis — an oral Factor Xa inhibitor, targeted at stroke prevention in atrial fibrillation and the prevention and treatment of VTE disorders. *Eliquis* is part of our strategic alliance with Pfizer.

- *Eliquis* was launched in the U.S., Europe, Japan and Canada in the first quarter of 2013 and continues to be launched in various markets for the reduction of the risk of stroke and systemic embolism in patients with NVAF.
- *Eliquis* was approved in the EU for VTE prevention in May 2011 and was launched in a limited number of EU countries beginning in May 2011.

Plavix — a platelet aggregation inhibitor that is part of our alliance with Sanofi

- U.S. revenues in both periods decreased due to the loss of exclusivity in May 2012.
- International revenues in 2013 were impacted by changes attributed to the restructured Sanofi agreement. See "Note 3 Alliances" for further discussion. International revenues in 2012 were negatively impacted by generic clopidogrel products in the EU, Canada, and Australia.

Mature Products and All Other — includes all other products, including those which have lost exclusivity in major markets, over-the-counter brands and royalty-related revenue

- U.S. revenues decreased in both periods from generic erosion of certain products which was partially offset by sales of *Symlin* following the completion of our Amylin acquisition in August 2012.
- International revenues increased in 2013 due to certain alliances which were partially offset by the continued generic erosion of other products. International revenues in 2012 decreased due to the continued generic erosion of certain brands and unfavorable foreign exchange.
- International revenues are expected to decline in 2015 and 2016 upon the expiration of certain royalty and alliance agreements.

Estimated End-User Demand

Pursuant to the U.S. Securities and Exchange Commission (SEC) Consent Order described below under "—SEC Consent Order", we monitor the level of inventory on hand in the U.S. wholesaler distribution channel and outside of the U.S. in the direct customer distribution channel. We are obligated to disclose products with levels of inventory in excess of one month on hand or expected demand, subject to a de minimis exception. Estimated levels of inventory in the distribution channel in excess of one month on hand for these products were not material as of the dates indicated above. No U.S. products had estimated levels of inventory in the distribution channel in excess of one month on hand at December 31, 2013. Below are international products that had estimated levels of inventory in the distribution channel in excess of one month on hand at September 30, 2013.

Dafalgan, an analgesic product sold principally in Europe, had 1.1 months of inventory on hand at direct customers at September 30, 2013 and December 31, 2012. The level of inventory on hand was primarily due to ordering patterns of pharmacists in France.

Reyataz had 1.1 months of inventory on hand internationally at September 30, 2013 compared to 0.7 month of inventory on hand at December 31, 2012. The level of inventory on hand was due to government purchasing patterns in Brazil.

In the U.S., we generally determine our months on hand estimates using inventory levels of product on hand and the amount of out-movement provided by our three largest wholesalers, which account for approximately 90% of total gross sales of U.S. products. Factors that may influence our estimates include generic competition, seasonality of products, wholesaler purchases in light of increases in wholesaler list prices, new product launches, new warehouse openings by wholesalers and new customer stockings by wholesalers. In addition, these estimates are calculated using third-party data, which may be impacted by their recordkeeping processes.

For our businesses outside of the U.S., we have significantly more direct customers. Limited information on direct customer product level inventory and corresponding out-movement information and the reliability of third-party demand information, where available, varies widely. When direct customer product level inventory, ultimate patient/consumer demand or out-movement data does not exist or is otherwise not available, we have developed a variety of other methodologies to estimate such data, including using such factors as historical sales made to direct customers and third-party market research data related to prescription trends and end-user demand. Accordingly, we rely on a variety of methods to estimate direct customer product level inventory and to calculate months on hand. Factors that may affect our estimates include generic competition, seasonality of products, direct customer purchases in light of price increases, new product launches, new warehouse openings by direct customers, new customer stockings by direct customers and expected direct customer purchases for governmental bidding situations. As such, all of the information required to estimate months on hand in the direct customer distribution channel for non-U.S. business for the year ended December 31, 2013 is not available prior to the filing of this annual report on Form 10-K. We will disclose any product with levels of inventory in excess of one month on hand or expected demand, subject to a de minimis exception, in the next quarterly report on Form 10-Q.

Expenses

				% Change	
Dollar in Millions	**2013**	2012	2011	2013 vs. 2012	2012 vs. 2011
Cost of products sold	**$ 4,619**	$ 4,610	$ 5,598	—	(18)%
Marketing, selling and administrative	**4,084**	4,220	4,203	(3)%	—
Advertising and product promotion	**855**	797	957	7 %	(17)%
Research and development	**3,731**	3,904	3,839	(4)%	2 %
Impairment charge for BMS-986094 intangible asset	**—**	1,830	—	(100)%	N/A
Other (income)/expense	**205**	(80)	(334)	**	(76)%
Total Expenses	**$ 13,494**	$ 15,281	$ 14,263	(12)%	7 %

** Change in excess of 100%

Cost of products sold

Cost of products sold include material costs, internal labor and overhead from our owned manufacturing sites, third-party processing costs, other supply chain costs and the settlement of foreign currency forward contracts that are used to hedge forecasted intercompany inventory purchase transactions. Essentially all of these costs are managed by our global manufacturing and supply organization. Cost of products also includes royalties and profit sharing attributed to licensed products and alliances, amortization of acquired developed technology costs from business combinations and milestone payments that occur on or after regulatory approval.

Cost of products sold can vary between periods as a result of product mix (particularly resulting from royalties and profit sharing expenses in connection with our alliances), price, inflation and costs attributed to the rationalization of manufacturing sites resulting in accelerated depreciation, impairment charges and other stranded costs. In addition, changes in foreign currency may also provide volatility as certain costs are denominated in foreign currencies. Cost of products sold as a percentage of total revenues were 28.2% in 2013, 26.2% in 2012, and 26.4% in 2011. These changes were primarily attributed to a less favorable product mix as a result of royalties and profit sharing expenses in connection with our alliances.

- Cost of products sold in 2013 was relatively flat as higher profit sharing expenses in connection with our alliances (including those resulting from the Amylin acquisition in August 2012) and higher net amortization costs attributable to the Amylin acquisition were partially offset by lower royalties following the loss of exclusivity of *Plavix* and *Avapro/Avalide* and higher impairment charges during 2012.
- The decrease in cost of products sold in 2012 was primarily attributed to lower sales volume following the loss of exclusivity of *Plavix* and *Avapro*/*Avalide* which resulted in lower royalties in connection with our Sanofi alliance and favorable foreign exchange partially offset by impairment charges discussed below and higher amortization costs resulting from the Amylin acquisition (net of the amortization of the Amylin alliance proceeds).
- Impairment charges of $147 million were recognized in 2012, including $120 million related to continued competitive pricing pressures and a reduction in the undiscounted projected cash flows to an amount less than the carrying value of a developed technology intangible asset. The remaining $27 million impairment charge related to the abandonment of a manufacturing facility resulting from the outsourcing of a manufacturing process.

Marketing, selling and administrative

Marketing, selling and administrative expenses include salary and benefit costs, third-party professional and marketing fees, outsourcing fees, shipping and handling costs and other expenses that are not attributed to product manufacturing costs or research and development expenses. These expenses are managed through regional commercialization organizations or global corporate organizations such as finance, law, information technology and human resources.

- Marketing, selling and administrative expenses in 2013 decreased due to the accelerated vesting of stock options and restricted stock units related to the Amylin acquisition ($67 million) in 2012, a lower pharmaceutical company fee assessed by the Federal government, and, a reduction in sales related activities for certain products to coincide with their respective lifecycles partially offset by higher spending to support the launch of new key products and additional spending following the Amylin acquisition.
- Marketing, selling and administrative expenses in 2012 increased primarily as a result of the Amylin acquisition ($125 million, including the accelerated vesting of stock options and restricted stock units), partially offset by a reduction in sales-related activities for *Plavix* and *Avapro*/*Avalide*. Marketing, selling and administrative expenses were also impacted by favorable foreign exchange.

Advertising and product promotion

Advertising and product promotion expenses include media, sample and direct to consumer programs.

- Advertising and product promotion expenses in 2013 increased primarily due to higher spending for recently launched key products.
- Advertising and product promotion expenses in 2012 decreased primarily due to lower spending on the promotion of *Plavix*, *Avapro*/*Avalide*, *Abilify*, and certain mature brands in the U.S. to coincide with their product life cycle.

Research and development

Research and development expenses include salary and benefit costs, third-party grants and fees paid to clinical research organizations, supplies and facility costs. Total research and development expenses include the costs of discovery research, preclinical development, early- and late-clinical development and drug formulation, as well as clinical trials and medical support of marketed products, proportionate allocations of enterprise-wide costs, facilities, information technology, and employee stock compensation costs, and other appropriate costs. Upfront licensing fees and other related payments upon the achievement of regulatory or other contractual milestones are also included. Certain expenses are shared with alliance partners based upon contractual agreements.

Most expenses are managed by our global research and development organization of which, approximately $2.2 billion, $1.9 billion and $2.0 billion of the total spend in 2013, 2012 and 2011, respectively, was attributed to development activities with the remainder attributed to preclinical and research activities. These expenses can vary between periods for a number of reasons, including the timing of upfront, milestone and other licensing payments.

- Research and development expenses in 2013 decreased primarily due to prior year impairment charges, accelerated vesting of stock options and restricted stock units related to the Amylin acquisition and upfront, milestone and other licensing payments partially offset by additional costs following the Amylin acquisition and higher clinical grant spending.
- Research and development expenses in 2012 increased primarily from $60 million of expenses related to the Amylin acquisition (including accelerated vesting of Amylin stock options and restricted stock units of $27 million) partially offset by favorable foreign exchange and the net impact of upfront, milestone, and other licensing payments and IPRD impairment charges. Refer to "Specified Items" included in "—Non-GAAP Financial Measures" for amounts attributed to each period. IPRD impairment charges relate to projects previously acquired in the Medarex, Inc. (Medarex) acquisition and Inhibitex, Inc. (Inhibitex) acquisition (including $45 million in 2012 related to FV-100, a nucleoside inhibitor for the reduction of shingles-associated pain) resulting from unfavorable clinical trial results and decisions to cease further development.

Impairment charge for BMS-986094 intangible asset

A $1.8 billion impairment charge was recognized in 2012 when the development of BMS-986094 (formerly INX-189), a compound which we acquired as part of our acquisition of Inhibitex to treat hepatitis C virus infection, was discontinued in the interest of patient safety. See "Note 14 Goodwill and Other Intangible Assets" for further information.

Intangible assets are highly vulnerable to impairment charges, particularly newly acquired assets for recently launched products or IPRD. These assets are initially measured at fair value and therefore a reduction in expectations used in the valuations could potentially lead to an impairment. See "—Critical Accounting Policies" for further discussion.

Other (income)/expense

Other (income)/expense include:

Dollars in Millions	Year Ended December 31, 2013	2012	2011
Interest expense	$ 199	$ 182	$ 145
Investment income	(104)	(106)	(91)
Provision for restructuring	226	174	116
Litigation charges/(recoveries)	20	(45)	6
Equity in net income of affiliates	(166)	(183)	(281)
Out-licensed intangible asset impairment	—	38	—
Gain on sale of product lines, businesses and assets	(2)	(53)	(37)
Other income received from alliance partners, net	(148)	(312)	(140)
Pension curtailments and settlements	165	158	10
Other	15	67	(62)
Other (income)/expense	$ 205	$ (80)	$ (334)

- Interest expense increased in both periods due to higher average borrowings.
- Provision for restructuring was primarily attributable to employee termination benefits. Employee termination costs of $145 million were incurred in 2013 as a result of workforce reductions in several European countries. The employee reductions are primarily attributed to sales force reductions resulting from the restructuring of the Sanofi and Otsuka agreements and streamlining operations due to challenging market conditions in Europe.
- Litigation charges/(recoveries) in 2012 included $172 million for our share of the Apotex damages award concerning *Plavix*.
- Equity in net income of affiliates is primarily related to our international partnership with Sanofi in Europe and Asia which decreased in both periods as a result of our restructuring of the Sanofi agreement and continues to be negatively impacted by generic competition for *Plavix* in Europe and Asia. Equity in net income of affiliates in 2012 decreased due to the continued impact of generic competition on international *Plavix* net sales, the conversion of certain territories to opt-out markets and the impact of unfavorable foreign exchange.
- Out-licensed intangible asset impairment charges in 2012 are related to assets acquired in the Medarex and ZymoGenetics, Inc. (ZymoGenetics) acquisitions and resulted from unfavorable clinical trial results and/or abandonment of the programs.
- Gain on sale of product lines, businesses and assets was primarily related to the sale of a building in Mexico in 2012 and the sale of mature brands in 2011.
- Other income from alliance partners includes royalties and amortization of upfront, milestone and other licensing payments related to certain alliances. The decrease in U.S. *Plavix* net product sales resulted in lower development royalties owed to Sanofi in 2013. Royalties received from Sanofi (except in Europe and Asia) are presented in revenues beginning in 2013 as a result of the restructured Sanofi agreement. See "Note 3 Alliances" for further discussion.
- Pension settlement charges were recognized after determining the annual lump sum payments would exceed the annual interest and service costs for certain pension plans, including the primary U.S. pension plan in 2013 and 2012. The charges included the acceleration of a portion of unrecognized actuarial losses. Similar charges may occur in the future. See “Note 19 Pension, Postretirement and Postemployment Liabilities” for further detail.
- The change in Other is primarily related to higher acquisition costs and losses on debt repurchases in 2012 and sales tax reimbursements, gains on debt repurchases, and higher upfront, milestone and licensing receipts in 2011.

Income Taxes

Dollars in Millions	2013	2012	2011
Earnings Before Income Taxes	$ 2,891	$ 2,340	$ 6,981
Provision for/(benefit from) income taxes	311	(161)	1,721
Effective tax/(benefit) rate	10.8%	(6.9)%	24.7%

The change in the effective tax rates was primarily due to a $392 million tax benefit in 2012 attributed to a capital loss deduction resulting from the tax insolvency of Inhibitex. The impact of this deduction reduced the effective tax rate by 16.7 percentage points in 2012. Other changes resulted from tax benefits attributable to higher impairment charges in 2012 (including an $1,830 million impairment charge for the BMS-986094 intangible asset in the U.S.); favorable earnings mix between high and low tax jurisdictions attributable to lower *Plavix* revenues and to a lesser extent, an internal transfer of intellectual property in the fourth quarter of 2012; the legal enactment of the 2012 and 2013 research and development tax credit during 2013, and higher charges from contingent tax matters.

Historically, the effective income tax rate is lower than the U.S. statutory rate of 35% due to our decision to indefinitely reinvest the earnings for certain of our manufacturing operations in Ireland and Puerto Rico. We have favorable tax rates in Ireland and Puerto Rico under grants not scheduled to expire prior to 2023.

Noncontrolling Interest

See "Note 3 Alliances" for a discussion of our *Plavix* and *Avapro*/*Avalide* partnerships with Sanofi for the territory covering the Americas. The decrease in noncontrolling interest in both periods resulted from the exclusivity loss in the U.S. of *Plavix* in May 2012 and *Avapro*/*Avalide* in March 2012. A summary of noncontrolling interest is as follows:

	Year Ended December 31,		
Dollars in Millions	**2013**	2012	2011
Sanofi partnerships	**$ 36**	$ 844	$ 2,323
Other	**1**	14	20
Noncontrolling interest-pre-tax	**37**	858	2,343
Income taxes	**(20)**	(317)	(792)
Net earnings attributable to noncontrolling interest-net of taxes	**$ 17**	$ 541	$ 1,551

Non-GAAP Financial Measures

Our non-GAAP financial measures, including non-GAAP earnings and related EPS information, are adjusted to exclude certain costs, expenses, gains and losses and other specified items that due to their significant and/or unusual nature are evaluated on an individual basis. Similar charges or gains for some of these items have been recognized in prior periods and it is reasonably possible that they could reoccur in future periods. Non-GAAP information is intended to portray the results of our baseline performance which include the discovery, development, licensing, manufacturing, marketing, distribution and sale of pharmaceutical products on a global basis and to enhance an investor's overall understanding of our past financial performance and prospects for the future. For example, non-GAAP earnings and EPS information is an indication of our baseline performance before items that are considered by us to not be reflective of our ongoing results. In addition, this information is among the primary indicators we use as a basis for evaluating performance, allocating resources, setting incentive compensation targets, and planning and forecasting for future periods. This information is not intended to be considered in isolation or as a substitute for net earnings or diluted EPS prepared in accordance with GAAP.

Specified items were as follows:

Dollars in Millions	Year Ended December 31, 2013	2012	2011
Accelerated depreciation, asset impairment and other shutdown costs	$ 36	$ 147	$ 75
Amortization of acquired Amylin intangible assets	549	229	—
Amortization of Amylin alliance proceeds	(273)	(114)	—
Amortization of Amylin inventory adjustment	14	23	—
Cost of products sold	326	285	75
Stock compensation from accelerated vesting of Amylin awards	—	67	—
Process standardization implementation costs	16	18	29
Marketing, selling and administrative	16	85	29
Stock compensation from accelerated vesting of Amylin awards	—	27	—
Upfront, milestone and other licensing payments	16	47	207
IPRD impairment	—	142	28
Research and development	16	216	235
Impairment charge for BMS-986094 intangible asset	—	1,830	—
Provision for restructuring	226	174	116
Gain on sale of product lines, businesses and assets	—	(51)	(12)
Pension settlements	161	151	13
Acquisition and alliance related items	(10)	43	—
Litigation charges/(recoveries)	(23)	(45)	9
Upfront, milestone and other licensing receipts	(14)	(10)	(20)
Out-licensed intangible asset impairment	—	38	—
Loss on debt repurchases	—	27	—
Other (income)/expense	340	327	106
Increase to pretax income	698	2,743	445
Income tax on items above	(242)	(947)	(136)
Specified tax benefit[(a)]	—	(392)	(97)
Income taxes	(242)	(1,339)	(233)
Increase to net earnings	$ 456	$ 1,404	$ 212

(a) The 2012 specified tax benefit relates to a capital loss deduction. The 2011 specified tax benefit relates to releases of tax reserves that were specified in prior periods.

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

Dollars in Millions, except per share data	Year Ended December 31, 2013	2012	2011
Net Earnings Attributable to BMS — GAAP	$ 2,563	$ 1,960	$ 3,709
Earnings attributable to unvested restricted shares	—	(1)	(8)
Net Earnings Attributable to BMS used for Diluted EPS Calculation — GAAP	$ 2,563	$ 1,959	$ 3,701
Net Earnings Attributable to BMS — GAAP	$ 2,563	$ 1,960	$ 3,709
Less Specified Items	456	1,404	212
Net Earnings Attributable to BMS — Non-GAAP	3,019	3,364	3,921
Earnings attributable to unvested restricted shares	—	(1)	(8)
Net Earnings Attributable to BMS used for Diluted EPS Calculation — Non-GAAP	$ 3,019	$ 3,363	$ 3,913
Average Common Shares Outstanding — Diluted	1,662	1,688	1,717
Diluted EPS Attributable to BMS — GAAP	$ 1.54	$ 1.16	$ 2.16
Diluted EPS Attributable to Specified Items	0.28	0.83	0.12
Diluted EPS Attributable to BMS — Non-GAAP	$ 1.82	$ 1.99	$ 2.28

Financial Position, Liquidity and Capital Resources

Our net debt position was as follows:

Dollars in Millions	2013	2012
Cash and cash equivalents	$ 3,586	$ 1,656
Marketable securities — current	939	1,173
Marketable securities — non-current	3,747	3,523
Total cash, cash equivalents and marketable securities	8,272	6,352
Short-term borrowings and current portion of long-term debt	(359)	(826)
Long-term debt	(7,981)	(6,568)
Net debt position	$ (68)	$ (1,042)

Cash, cash equivalents and marketable securities held in the U.S. were approximately $2.2 billion at December 31, 2013. Most of the remaining $6.1 billion is held primarily in low-tax jurisdictions and is attributable to earnings that are expected to be indefinitely reinvested offshore. Cash repatriations are subject to restrictions in certain jurisdictions and may be subject to withholding and additional U.S. income taxes.

We started issuing commercial paper to meet near-term domestic liquidity requirements during 2012. The average amount of commercial paper outstanding was $259 million at a weighted-average interest rate of 0.12% during 2013. The maximum month-end amount of commercial paper outstanding was $820 million with no outstanding borrowings at December 31, 2013. We will continue to issue commercial paper on an as-needed basis.

In February 2014, BMS sold to AstraZeneca the diabetes business of BMS which comprised our global alliance with them. Under the terms of the agreement, AstraZeneca made an upfront payment of $2.7 billion to the Company. BMS also received a $600 million milestone payment in February 2014 for the approval of *Farxiga* in the U.S. See "Note 5 Assets Held-For-Sale" for further discussion. In January 2014, notices were provided to the holders of the 5.45% Notes due 2018 that BMS will exercise its call option to redeem the notes in their entirety in February 2014. The outstanding principal amount of the notes is $582 million.

Our investment portfolio includes non-current marketable securities which are subject to changes in fair value as a result of interest rate fluctuations and other market factors, which may impact our results of operations. Our investment policy places limits on these investments and the amount and time to maturity of investments with any institution. The policy also requires that investments are only entered into with corporate and financial institutions that meet high credit quality standards. See "Note 10 Financial Instruments and Fair Value Measurements."

We have two separate $1.5 billion five-year revolving credit facilities from a syndicate of lenders. The facilities provide for customary terms and conditions with no financial covenants and are extendable on any anniversary date with the consent of the lenders. No borrowings were outstanding under either revolving credit facility at December 31, 2013 or 2012.

In October 2013, BMS issued $1.5 billion of senior unsecured notes in a registered public offering consisting of $500 million in aggregate principal amount of 1.750% Notes due 2019, $500 million in aggregate principal amount of 3.250% Notes due 2023 and $500 million in aggregate principal amount of 4.500% Notes due 2044. The proceeds were used for general corporate purposes, including the repayment of our commercial paper borrowings.

Additional regulations in the U.S. could be passed in the future which could further reduce our results of operations, operating cash flow, liquidity and financial flexibility. We also continue to monitor the potential impact of the economic conditions in certain European countries and the related impact on prescription trends, pricing discounts, creditworthiness of our customers, and our ability to collect outstanding receivables from our direct customers. Currently, we believe these economic conditions in the EU will not have a material impact on our liquidity, cash flow or financial flexibility.

As a mechanism to limit our overall credit exposures, and an additional source of liquidity, we sell trade receivables to third parties, principally from wholesalers in Japan and certain government-backed entities in Italy, Portugal, and Spain. Sales of trade receivables in Italy, Portugal and Spain were $509 million in 2013, $322 million in 2012 and $484 million in 2011. Sales of receivables in Japan were $522 million in 2013, $634 million in 2012 and $593 million in 2011. Our sales agreements do not allow for recourse in the event of uncollectibility and we do not retain interest to the underlying assets once sold.

We continue to manage our operating cash flows by focusing on working capital items that are most directly affected by changes in sales volume, such as receivables, inventories, and accounts payable.

Dollars in Millions	December 31, 2013	December 31, 2012
Net trade receivables	$ 1,690	$ 1,708
Inventories	1,498	1,657
Accounts payable	(2,559)	(2,202)
Total	$ 629	$ 1,163

Credit Ratings

Moody's Investors Service long-term and short-term credit ratings are currently A2 and Prime-1, respectively, and their long-term credit outlook was revised from stable to negative in September 2013. Standard & Poor's long-term and short-term credit ratings are currently A+ and A-1+, respectively, and their long-term credit outlook remains stable. Fitch lowered our long-term credit rating from A to A-, lowered our short-term credit rating from F1 to F2, and revised our long-term credit outlook from negative to stable in July 2013 and from stable to negative in December 2013. Our credit ratings are considered investment grade. Our long-term ratings reflect the agencies' opinion that we have a low default risk but are somewhat susceptible to adverse effects of changes in circumstances and economic conditions. Our short-term ratings reflect the agencies' opinion that we have good to extremely strong capacity for timely repayment.

Cash Flows

The following is a discussion of cash flow activities:

Dollars in Millions	2013	2012	2011
Cash flow provided by/(used in):			
Operating activities	$ 3,545	$ 6,941	$ 4,840
Investing activities	(572)	(6,727)	(1,437)
Financing activities	(1,068)	(4,333)	(2,657)

Operating Activities

Cash flow from operating activities represents the cash receipts and cash disbursements from all of our activities other than investing activities and financing activities. Operating cash flow is derived by adjusting net earnings for noncontrolling interest, non-cash operating items, gains and losses attributed to investing and financing activities and changes in operating assets and liabilities resulting from timing differences between the receipts and payments of cash and when the transactions are recognized in our results of operations. As a result, changes in cash from operating activities reflect the timing of cash collections from customers and alliance partners; payments to suppliers, alliance partners and employees; pension contributions; and tax payments in the ordinary course of business.

The changes in cash provided by operating activities in both periods were primarily attributable to:

- Upfront, milestone and contingent alliance proceeds of $967 million in 2013, $3.7 billion in 2012 ($3.6 billion from AstraZeneca as consideration for entering into the Amylin alliance) and $205 million in 2011.
- Lower operating cash flows of $700 million in 2013 and $1.5 billion in 2012 attributed to *Plavix* and *Avapro/Avalide* revenue reductions following the loss of exclusivity of these products in 2012; and
- Other changes including working capital requirements in each period.

Investing Activities

The changes in cash used in investing activities were primarily attributable to:

- Cash was used to fund the acquisitions of Amylin ($5.0 billion) and Inhibitex ($2.5 billion) in 2012 and Amira ($360 million) in 2011.
- Cash used in the sales, purchases and maturities of marketable securities was $44 million in 2013 and $859 million in 2011, which was primarily attributed to the timing of investments in time deposits and corporate debt securities with maturities greater than 90 days. Cash generated from the sales, purchases, and maturities of marketable securities was $1.3 billion in 2012. The cash was used to partially fund acquisitions in 2012.
- Other investing activities included litigation recoveries of $102 million in 2011.

Financing Activities

The changes in cash used in financing activities were primarily attributable to:

- Cash used to repurchase common stock was $433 million in 2013, $2.4 billion in 2012 and $1.2 billion in 2011. In May 2010, the Board of Directors authorized the repurchase of up to $3.0 billion. In June 2012, the Board of Directors increased its authorization for the repurchase of stock by an additional $3.0 billion. The repurchase program does not have an expiration date and we may consider future repurchases.
- Dividend payments were $2.3 billion in 2013, 2012 and 2011. Dividends declared per common share were $1.41 in 2013, $1.37 in 2012 and $1.33 in 2011. In December 2013, we declared a quarterly dividend of $0.36 per common share and expect to pay a dividend for the full year of 2014 of $1.44 per share. Dividend decisions are made on a quarterly basis by our Board of Directors.
- Proceeds from the issuance of senior unsecured notes were $1.5 billion in 2013 and $2.0 billion in 2012.
- The $597 million principal amount of our 5.25% Notes matured and was repaid in 2013. Repayments of debt assumed in the Amylin acquisition were $2.0 billion in 2012.
- Management periodically evaluates potential opportunities to repurchase certain debt securities and terminate certain interest rate swap contracts prior to their maturity. Cash outflows related to the repurchase of debt were $109 million in 2012 and $78 million in 2011. Proceeds from the termination of interest rate swap contracts were $296 million in 2011.
- Proceeds from stock option exercises were $435 million (excluding $129 million of cash retained from excess tax benefits) in 2013, $392 million (excluding $71 million of cash retained from excess tax benefits) in 2012 and $554 million (excluding $47 million of cash retained from excess tax benefits) in 2011. The amount of proceeds vary each period based upon fluctuations in the market value of our stock relative to the exercise price of the stock options and other factors.

Contractual Obligations

Payments due by period for our contractual obligations at December 31, 2013 were as follows:

		Obligations Expiring by Period					
Dollars in Millions	Total	2014	2015	2016	2017	2018	Later Years
Short-term borrowings	$ 359	$ 359	$ —	$ —	$ —	$ —	$ —
Long-term debt	7,566	—	—	684	750	631	5,501
Interest on long-term debt[(a)]	5,567	257	269	294	287	219	4,241
Operating leases	614	145	137	117	77	65	73
Purchase obligations	1,476	703	379	200	133	61	—
Uncertain tax positions[(b)]	114	114	—	—	—	—	—
Other long-term liabilities	627	—	101	164	47	39	276
Total[(c)]	$ 16,323	$ 1,578	$ 886	$ 1,459	$ 1,294	$ 1,015	$ 10,091

(a) Includes estimated future interest payments on our short-term and long-term debt securities. Also includes accrued interest payable recognized on our consolidated balance sheets, which consists primarily of accrued interest on short-term and long-term debt as well as accrued periodic cash settlements of derivatives.

(b) Due to the uncertainty related to the timing of the reversal of uncertain tax positions, only the short-term uncertain tax benefits have been provided in the table above. See “Note 8 Income Taxes” for further detail.

(c) The table above excludes future contributions by us to our pensions, postretirement and postemployment benefit plans. Required contributions are contingent upon numerous factors including minimum regulatory funding requirements and the funded status of each plan. Due to the uncertainty of such future obligations, they are excluded from the table. Contributions for both U.S. and international plans are expected to be $100 million in 2014. See “Note 19 Pension, Postretirement and Postemployment Liabilities” for further detail.

In addition to the above, we are committed to $3.6 billion (in the aggregate) of potential future research and development milestone payments to third parties as part of in-licensing and development programs. Early-stage milestones, defined as milestones achieved through Phase III clinical trials, comprised $700 million of the total committed amount. Late-stage milestones, defined as milestones achieved post Phase III clinical trials, comprised $2.9 billion of the total committed amount. Payments under these agreements generally are due and payable only upon achievement of certain developmental and regulatory milestones, for which the specific timing cannot be predicted. In addition to certain royalty obligations that are calculated as a percentage of net product sales, some of these agreements also provide for sales-based milestones aggregating $1.6 billion that we would be obligated to pay to alliance partners upon achievement of certain sales levels. We also have certain manufacturing, development, and commercialization obligations in connection with alliance arrangements. It is not practicable to estimate the amount of these obligations. See “Note 3 Alliances” for further information regarding our alliances.

For a discussion of contractual obligations, see “Note 19 Pension, Postretirement and Postemployment Liabilities,” “Note 10 Financial Instruments and Fair Value Measurements” and “Note 21 Leases.”

SEC Consent Order

As previously disclosed, on August 4, 2004, we entered into a final settlement with the SEC, concluding an investigation concerning certain wholesaler inventory and accounting matters. The settlement was reached through a Consent, a copy of which was attached as Exhibit 10 to our quarterly report on Form 10-Q for the period ended September 30, 2004.

Under the terms of the Consent, we agreed, subject to certain defined exceptions, to limit sales of all products sold to our direct customers (including wholesalers, distributors, hospitals, retail outlets, pharmacies and government purchasers) based on expected demand or on amounts that do not exceed approximately one month of inventory on hand, without making a timely public disclosure of any change in practice. We also agreed in the Consent to certain measures that we have implemented including: (a) establishing a formal review and certification process of our annual and quarterly reports filed with the SEC; (b) establishing a business risk and disclosure group; (c) retaining an outside consultant to comprehensively study and help re-engineer our accounting and financial reporting processes; (d) publicly disclosing any sales incentives offered to direct customers for the purpose of inducing them to purchase products in excess of expected demand; and (e) ensuring that our budget process gives appropriate weight to inputs that come from the bottom to the top, and not just from the top to the bottom, and adequately documenting that process.

We have established a company-wide policy to limit our sales to direct customers for the purpose of complying with the Consent. This policy includes the adoption of various procedures to monitor and limit sales to direct customers in accordance with the terms of the Consent. These procedures include a governance process to escalate to appropriate management levels potential questions or concerns regarding compliance with the policy and timely resolution of such questions or concerns. In addition, compliance with the policy is monitored on a regular basis.

We maintain inventory management agreements (IMAs) with our U.S. pharmaceutical wholesalers, which account for nearly 100% of our gross U.S. revenues. Under the current terms of the IMAs, our wholesaler customers provide us with weekly information with respect to months on hand product-level inventories and the amount of out-movement of products. The three largest wholesalers currently account for approximately 90% of our gross U.S. revenues. The inventory information received from our wholesalers, together with our internal information, is used to estimate months on hand product level inventories at these wholesalers. We estimate months on hand product inventory levels for our U.S. business's wholesaler customers other than the three largest wholesalers by extrapolating from the months on hand calculated for the three largest wholesalers. In contrast, our non-U.S. business has significantly more direct customers, limited information on direct customer product level inventory and corresponding out-movement information and the reliability of third-party demand information, where available, varies widely. Accordingly, we rely on a variety of methods to estimate months on hand product level inventories for these business units.

We believe the above-described procedures provide a reasonable basis to ensure compliance with the Consent.

Recently Issued Accounting Standards

In July 2013, the Financial Accounting Standards Board issued an update that clarified existing guidance on the presentation of unrecognized tax benefits when various qualifying tax benefit carryforwards exist, including when the unrecognized tax benefit should be presented as a reduction to deferred tax assets or as a liability. This update is required to be adopted for all annual periods and interim reporting periods beginning after December 15, 2013, with early adoption permitted. The reduction to deferred tax assets is expected to be approximately $250 million.

Critical Accounting Policies

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses. Our critical accounting policies are those that significantly impact our financial condition and results of operations and require the most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Because of this uncertainty, actual results may vary from these estimates. These accounting policies were discussed with the Audit Committee of the Board of Directors.

Revenue Recognition

Our accounting policy for revenue recognition has a substantial impact on reported results and relies on certain estimates. We recognize revenue when persuasive evidence of an arrangement exists, the sales price is fixed and determinable, collectability is reasonably assured and title and substantially all of the risks and rewards of ownership have transferred, which is generally at time of shipment. Revenue is also reduced for gross-to-net sales adjustments discussed below, all of which involve significant estimates and judgment after considering legal interpretations of applicable laws and regulations, historical experience, payer channel mix (e.g. Medicare or Medicaid), current contract prices under applicable programs, unbilled claims and processing time lags and inventory levels in the distribution channel.

Estimates are assessed each period and adjusted as required to revised information or actual experience. In addition, See "—Total Revenues" above for further discussion and analysis of each significant category of gross-to-net sales adjustments.

Gross-to-Net Adjustments

The following categories of gross-to-net adjustments involve significant estimates, judgments and information obtained from external sources.

Charge-backs related to government programs

Our U.S. business participates in programs with government entities, the most significant of which are the U.S. Department of Defense and the U.S. Department of Veterans Affairs, and other parties, including covered entities under the 340B Drug Pricing Program, whereby pricing on products is extended below wholesaler list price to participating entities. These entities purchase products through wholesalers at the lower program price and the wholesalers then charge us the difference between their acquisition cost and the lower program price. Accounts receivable is reduced for the estimated amount of unprocessed charge-back claims attributable to a sale (typically within a two to four week time lag).

Cash discounts

In the U.S. and certain other countries, cash discounts are offered as an incentive for prompt payment, generally approximating 2% of the sales price. Accounts receivable is reduced for the estimated amount of unprocessed cash discounts (typically within a one month time lag).

Managed healthcare rebates and other contract discounts

Rebates and discounts are offered to managed healthcare organizations in the U.S. managing prescription drug programs and Medicare Advantage prescription drug plans covering the Medicare Part D drug benefit in addition to their commercial plans, as well as other contract counterparties such as hospitals and group purchasing organizations globally. Beginning in 2011, the rebates for the Medicare Part D program included a 50% discount on the Company's brand-name drugs to patients who fall within the Medicare Part D coverage gap. Rebates are also required under the U.S. Department of Defense TRICARE Retail Pharmacy Refund Program. The estimated amount for these unpaid or unbilled rebates and discounts are presented as a liability. A $67 million reversal for the estimated amount of 2011 Medicare Part D coverage gap discounts occurred in 2012 after receipt of the actual invoices.

Medicaid rebates

Our U.S. businesses participates in state government Medicaid programs and other qualifying Federal and state government programs requiring discounts and rebates to participating state and local government entities. All discounts and rebates provided through these programs are included in our Medicaid rebate accrual. Retroactive to January 1, 2010, minimum rebates on Medicaid drug sales increased from 15.1% to 23.1%. Medicaid rebates have also been extended to drugs used in managed Medicaid plans beginning in March 2010. The estimated amount for these unpaid or unbilled rebates is presented as a liability. The estimated Medicaid rebates attributable to prior period revenues were reduced by $85 million in 2013 and $37 million in 2012.

Sales returns

Products are typically eligible to be returned between six months prior to and twelve months after product expiration, in accordance with our policy. Estimated returns for established products are determined after considering historical experience and other factors including levels of inventory in the distribution channel, estimated shelf life, product recalls, product discontinuances, price changes of competitive products, introductions of generic products, introductions of competitive new products and instances of expected precipitous declines in demand following the loss of exclusivity. The estimated amount for product returns is presented as a liability. Reserves were established for *Plavix* and *Avapro*/*Avalide* ($147 million and $173 million at December 31, 2013 and 2012, respectively) after considering the relevant factors as well as estimated future retail and wholesale inventory work down that would occur after the loss of exclusivity.

Estimated returns for new products are determined after considering historical sales return experience of similar products, such as those within the same product line or similar therapeutic category. We defer recognition of revenue until the right of return expires or until sufficient historical experience to estimate sales returns is developed in limited circumstances. This typically occurs when the new product is not an extension of an existing line of product or when historical experience with products in a similar therapeutic category is lacking. Estimated levels of inventory in the distribution channel and projected demand are also considered in estimating sales returns for new products.

Use of information from external sources

Information from external sources is used to estimate gross-to-net adjustments. Our estimate of inventory at the wholesalers are based on the projected prescription demand-based sales for our products and historical inventory experience, as well as our analysis of third-party information, including written and oral information obtained from certain wholesalers with respect to their inventory levels and sell-through to customers and third-party market research data, and our internal information. The inventory information received from wholesalers is a product of their recordkeeping process and excludes inventory held by intermediaries to whom they sell, such as retailers and hospitals.

We have also continued the practice of combining retail and mail prescription volume on a retail-equivalent basis. We use this methodology for internal demand forecasts. We also use information from external sources to identify prescription trends, patient demand and average selling prices. Our estimates are subject to inherent limitations of estimates that rely on third-party information, as certain third-party information was itself in the form of estimates, and reflect other limitations including lags between the date as of which third-party information is generated and the date on which we receive third-party information.

Retirement Benefits

Accounting for pension and postretirement benefit plans requires actuarial valuations based on significant assumptions for discount rates and expected long-term rates of return on plan assets. In consultation with our actuaries, these significant assumptions and others such as salary growth, retirement, turnover, healthcare trends and mortality rates are evaluated and selected based on expectations or actual experience during each remeasurement date. Pension expense could vary within a range of outcomes and have a material effect on reported earnings, projected benefit obligations and future cash funding. Actual results in any given year may differ from those estimated because of economic and other factors.

The yield on high quality corporate bonds that coincides with the cash flows of the plans' estimated payouts is used in determining the discount rate. The Citigroup Pension Discount curve is used for the U.S. plans. The U.S. plans' pension expense for 2013 was determined using a 4.15% weighted-average discount rate. The present value of benefit obligations at December 31, 2013 for the U.S. pension plans was determined using a 4.62% discount rate. If the discount rate used in determining the U.S. plans' pension expense for 2013 was reduced by an additional 1%, such expense would increase by approximately $10 million. If the assumed discount rate used in determining the U.S. pension plans' projected benefit obligation at December 31, 2013 was reduced by an additional 1%, the projected benefit obligation would increase by approximately $950 million.

The expected long-term rate of return on plan assets is estimated considering expected returns for individual asset classes with input from external advisors. We also consider long-term historical returns including actual performance compared to benchmarks for similar investments. The U.S. plans' pension expense for 2013 was determined using an 8.63% expected long-term rate of return on plan assets. If the expected long-term rate of return on plan assets used in determining the U.S. plans' pension expense for 2013 was reduced by 1%, such expense would increase by $53 million.

For a more detailed discussion on retirement benefits, see "Note 19 Pension, Postretirement and Postemployment Liabilities."

Business Combinations

Goodwill and other intangible assets acquired in business combinations, licensing and other transactions were $15.6 billion (representing 41% of total assets), including $6.2 billion included in assets held-for-sale at December 31, 2013.

Assets acquired and liabilities assumed are recognized at the date of acquisition at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recognized as goodwill. The fair value of intangible assets, including IPRD, is typically determined using the "income method." This method starts with a forecast of net cash flows, risk adjusted for estimated probabilities of technical and regulatory success (for IPRD) and adjusted to present value using an appropriate discount rate that reflects the risk associated with the cash flow streams. All assets are valued from a market participant view which might be different than specific BMS views. The valuation process is very complex and requires significant input and judgment using internal and external sources. Although the valuations are required to be finalized within a one-year period, it must consider all and only those facts and evidence available at the acquisition date. The most complex and judgmental matters applicable to the valuation process are summarized below:

- *Unit of accounting* – Most intangible assets are valued as single global assets rather than multiple assets for each jurisdiction or indication after considering the development stage, expected levels of incremental costs to obtain additional approvals, risks associated with further development, amount and timing of benefits expected to be derived in the future, expected patent lives in various jurisdictions and the intention to promote the asset as a global brand.

- *Estimated useful life* – The asset life expected to contribute meaningful cash flows is determined after considering all pertinent matters associated with the asset, including expected regulatory approval dates (if unapproved), exclusivity periods and other legal, regulatory or contractual provisions as well as the effects of any obsolescence, demand, competition, and other economic factors, including barriers to entry.
- *Probability of Technical and Regulatory Success (PTRS) Rate* – PTRS rates are determined based upon industry averages considering the respective programs development stage and disease indication and adjusted for specific information or data known at the acquisition date. Subsequent clinical results or other internal or external data obtained could alter the PTRS rate and materially impact the estimated fair value of the intangible asset in subsequent periods leading to impairment charges.
- *Projections* – Future revenues are estimated after considering many factors such as initial market opportunity, pricing, sales trajectories to peak sales levels, competitive environment and product evolution. Future costs and expenses are estimated after considering historical market trends, market participant synergies and the timing and level of additional development costs to obtain the initial or additional regulatory approvals, maintain or further enhance the product. We generally assume initial positive cash flows to commence shortly after the receipt of expected regulatory approvals which typically may not occur for a number of years. Actual cash flows attributed to the project are likely to be different than those assumed since projections are subjected to multiple factors including trial results and regulatory matters which could materially change the ultimate commercial success of the asset as well as significantly alter the costs to develop the respective asset into commercially viable products.
- *Tax rates* – The expected future income is tax effected using a market participant tax rate. Our recent valuations typically use a U.S. tax rate (and applicable state taxes) after considering the jurisdiction in which the intellectual property is held and location of research and manufacturing infrastructure. We also considered that any earnings repatriation would likely have U.S. tax consequences.
- *Discount rate* – Discount rates are selected after considering the risks inherent in the future cash flows; the assessment of the asset's life cycle and the competitive trends impacting the asset, including consideration of any technical, legal, regulatory, or economic barriers to entry, as well as expected changes in standards of practice for indications addressed by the asset.

See "Note 4 Acquisitions" for specific details and values assigned to assets acquired and liabilities assumed in our acquisitions of Amylin and Inhibitex in 2012 and Amira in 2011. Significant estimates utilized at the time of the valuations to support the fair values of the lead compounds within the acquisitions include:

Dollars in Millions	Fair value	Discount rate utilized	Estimated useful life (in years)	Phase of Development as of acquisition date	PTRS Rate utilized	Year of first projected positive cash flow
Commercialized products:						
Bydureon	$ 5,260	11.1%	13	N/A	N/A	N/A
Byetta	770	10.0%	7	N/A	N/A	N/A
Symlin	310	10.0%	9	N/A	N/A	N/A
Recothrom	230	11.0%	10	N/A	N/A	N/A
IPRD:						
BMS-986094 (formerly INX-189)	1,830	12.0%	N/A	Phase II	38.0%	2017
Metreleptin	120	12.0%	N/A	Phase III	75.0%	2017
AM152	160	12.5%	N/A	Phase I	12.5%	2021

Impairment

Goodwill

Goodwill was $7.1 billion at December 31, 2013. Goodwill is tested at least annually for impairment on an enterprise level by assessing qualitative factors or performing a quantitative analysis in determining whether it is more likely than not that its fair value exceeds the carrying value. Examples of qualitative factors assessed in the current year included our share price, our financial performance compared to budgets, long-term financial plans, macroeconomic, industry and market conditions as well as the substantial excess of fair value over the carrying value of net assets from the annual impairment test performed in the prior year. Positive and negative influences of each relevant factor were assessed both individually and in the aggregate and as a result it was concluded that no additional quantitative testing was required.

For discussion on goodwill, acquired in-process research and development and other intangible assets, see "Note 1 Accounting Policies —Goodwill, Acquired In-Process Research and Development and Other Intangible Assets."

Other Intangible Assets, including IPRD

Other intangible assets were $2.3 billion at December 31, 2013, including licenses ($525 million), developed technology rights ($1.0 billion), capitalized software ($241 million) and IPRD ($548 million). Intangible assets are tested for impairment whenever current facts or circumstances warrant a review, although IPRD is required to be tested at least annually. Intangible assets are highly vulnerable to impairment charges, particularly newly acquired assets for recently launched products or IPRD. These assets are initially measured at fair value and therefore any reduction in expectations used in the valuations could potentially lead to impairment. Some of the more common potential risks leading to impairment include competition, earlier than expected loss of exclusivity, pricing pressures, adverse regulatory changes or clinical trial results, delay or failure to obtain regulatory approval and additional development costs, inability to achieve expected synergies, higher operating costs, changes in tax laws and other macro-economic changes. The complexity in estimating the fair value of intangible assets in connection with an impairment test is similar to the initial valuation.

Considering the high risk nature of research and development and the industry's success rate of bringing developmental compounds to market, IPRD impairment charges are likely to occur in future periods. We recognized charges of $2.1 billion in 2012 including a $1.8 billion charge resulting from the discontinued development of BMS-986094 and for other projects previously acquired in the Medarex, Inc. and Inhibitex acquisitions resulting from unfavorable clinical trial results, additional development costs, extended development periods and decisions to cease further development. We also recognized charges of $30 million in 2011 related to three Medarex projects for which development has ceased. IPRD is closely monitored and assessed each period for impairment.

In addition to IPRD, commercial assets are also subject to impairment. For example, an impairment charge of $120 million was recognized in 2012 related to a non-key product from a prior acquisition after continuing competitive pricing pressures.

We operate in a very dynamic market and regulatory environment in which events can occur causing our expectations to change quickly and thus leading to potential impairment charges. Specific intangible assets with material carrying values at December 31, 2013, that are exposed to potential impairment include IPRD assets peginterferon lambda ($310 million) in Phase III development for the treatment of hepatitis C virus and AM152 ($160 million)in Phase II development for the treatment of fibrosis. These assets are monitored for changes in expectations from those used in the initial valuation.

Property, Plant and Equipment

Property, plant and equipment is tested for impairment whenever current facts or circumstances warrant a review. Additionally, these long-lived assets are periodically reviewed to determine if any change in facts or circumstances would result in a change to the estimated useful life of the asset, possibly resulting in the acceleration of depreciation. If such circumstances exist, an estimate of undiscounted future cash flows generated by the asset, or the appropriate grouping of assets, is compared to the carrying value to determine whether an impairment exists at its lowest level of identifiable cash flows. If an asset is determined to be impaired, the loss is measured based on the difference between the asset's fair value and its carrying value. Expectations of future cash flows are subject to change based upon the near and long-term production volumes and margins generated by the asset as well as any potential alternative future use.

Contingencies

In the normal course of business, we are subject to contingencies, such as legal proceedings and claims arising out of our business, that cover a wide range of matters, including, among others, government investigations, shareholder lawsuits, product and environmental liability, contractual claims and tax matters. We recognize accruals for such contingencies when it is probable that a liability will be incurred and the amount of the loss can be reasonably estimated. These estimates are subject to uncertainties that are difficult to predict and, as such, actual results could vary from these estimates.

For discussions on contingencies, see "Note 1 Accounting Policies—Contingencies," "Note 8 Income Taxes" and "Note 22 Legal Proceedings and Contingencies."

Income Taxes

Valuation allowances are recognized to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. The assessment of whether or not a valuation allowance is required often requires significant judgment including long-range forecasts of future taxable income and evaluation of tax planning initiatives. Adjustments to the deferred tax valuation allowances are made to earnings in the period when such assessments are made. Our deferred tax assets were $4.8 billion net of valuation allowances of $4.6 billion at December 31, 2013 and $5.1 billion, net of valuation allowances of $4.4 billion at December 31, 2012.

Deferred tax assets related to a U.S. Federal net operating loss carryforward of $138 million and a U.S. Federal tax credit carryforward of $23 million were recognized at December 31, 2013. The net operating loss carryforward expires in varying amounts beginning in 2022. The U.S. Federal tax credit carryforward expires in varying amounts beginning in 2017. The realization of these carryforwards is

dependent on generating sufficient domestic-sourced taxable income prior to their expiration. Although realization is not assured, we believe it is more likely than not that these deferred tax assets will be realized.

In addition, a deferred tax asset related to a U.S. Federal and state capital loss of $784 million was recognized at December 31, 2013 that can be carried back three years and carried forward five years. The realization of this carryforward is dependent upon generating sufficient capital gains prior to its expiration. A $383 million valuation allowance was established for this item at December 31, 2013.

Taxes are not provided on undistributed earnings of foreign subsidiaries expected to be reinvested indefinitely offshore.

Prior to the Mead Johnson Nutrition Company (Mead Johnson) split-off in 2009, the following transactions occurred: (i) an internal spin-off of Mead Johnson shares while still owned by us; (ii) conversion of Mead Johnson Class B shares to Class A shares; and; (iii) conversion of Mead Johnson & Company to a limited liability company. These transactions as well as the split-off of Mead Johnson through the exchange offer should qualify as tax-exempt transactions under the Internal Revenue Code based upon a private letter ruling received from the Internal Revenue Service related to the conversion of Mead Johnson Class B shares to Class A shares, and outside legal opinions.

Certain assumptions, representations and covenants by Mead Johnson were relied upon regarding the future conduct of its business and other matters which could affect the tax treatment of the exchange. For example, the current tax law generally creates a presumption that the exchange would be taxable to us, if Mead Johnson or its shareholders were to engage in transactions that result in a 50% or greater change in its stock ownership during a four year period beginning two years before the exchange offer, unless it is established that the exchange offer were not part of a plan or series of related transactions to effect such a change in ownership. If the internal spin-off or exchange offer were determined not to qualify as a tax exempt transaction, the transaction could be subject to tax as if the exchange was a taxable sale by us at market value.

In addition, a negative basis or excess loss account (ELA) existed in our investment in stock of Mead Johnson prior to these transactions. We received an opinion from outside legal counsel to the effect that it is more likely than not that we eliminated the ELA as part of these transactions and do not have taxable income with respect to the ELA. The tax law in this area is complex and it is possible that even if the internal spin-off and the exchange offer is tax exempt under the Internal Revenue Code, the IRS could assert that we have additional taxable income for the period with respect to the ELA. We could be exposed to additional taxes if this were to occur. Based upon our understanding of the Internal Revenue Code and opinion from outside legal counsel, a tax reserve of $244 million was established reducing the gain on disposal of Mead Johnson included in discontinued operations in 2009.

We agreed to certain tax related indemnities with Mead Johnson as set forth in the tax sharing agreement. For example, Mead Johnson has agreed to indemnify us for potential tax effects resulting from the breach of certain representations discussed above as well as certain transactions related to the acquisition of Mead Johnson's stock or assets. We have agreed to indemnify Mead Johnson for certain taxes related to its business prior to the completion of the IPO and created as part of the restructuring to facilitate the IPO.

We established liabilities for possible assessments by tax authorities resulting from known tax exposures including, but not limited to, transfer pricing matters, tax credits and deductibility of certain expenses. Such liabilities represent a reasonable provision for taxes ultimately expected to be paid and may need to be adjusted over time as more information becomes known.

For discussions on income taxes, see "Note 1 Accounting Policies—Income Taxes" and "Note 8 Income Taxes."

Special Note Regarding Forward-Looking Statements

This annual report on Form 10-K (including documents incorporated by reference) and other written and oral statements we make from time to time contain certain "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. You can identify these forward-looking statements by the fact they use words such as "should", "expect", "anticipate", "estimate", "target", "may", "project", "guidance", "intend", "plan", "believe" and other words and terms of similar meaning and expression in connection with any discussion of future operating or financial performance. One can also identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. Such forward-looking statements are based on current expectations and involve inherent risks and uncertainties, including factors that could delay, divert or change any of them, and could cause actual outcomes to differ materially from current expectations. These statements are likely to relate to, among other things, our goals, plans and projections regarding our financial position, results of operations, cash flows, market position, product development, product approvals, sales efforts, expenses, performance or results of current and anticipated products and the outcome of contingencies such as legal proceedings and financial results, which are based on current expectations that involve inherent risks and uncertainties, including internal or external factors that could delay, divert or change any of them in the next several years. We have included important factors in the cautionary statements included in this annual report that we believe could cause actual results to differ materially from any forward-looking statement.

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Foreign Exchange Risk

Significant amounts of our revenues, earnings and cash flow is exposed to changes in foreign currency rates. Our primary net foreign currency translation exposures are the Euro, Japanese yen, Chinese renminbi, Canadian dollar, and South Korean won. Foreign currency forward contracts are used to manage foreign exchange risk that primarily arises from certain intercompany purchase transactions and are designated as foreign currency cash flow hedges when appropriate. In addition, we are exposed to foreign exchange transaction risk that arises from non-functional currency denominated assets and liabilities and earnings denominated in non-U.S. dollar currencies. Foreign currency forward contracts are used to offset a portion of these exposures and are not designated as hedges. Changes in the fair value of these derivatives are recognized in earnings as incurred.

We estimate that a 10% appreciation in the underlying currencies being hedged from their levels against the U.S. dollar (with all other variables held constant) would decrease the fair value of foreign exchange forward contracts by $135 million at December 31, 2013. If realized, this appreciation would negatively affect earnings over the remaining life of the contracts.

We are also exposed to translation risk on non-U.S. dollar-denominated net assets. Non-U.S. dollar borrowings are used to hedge the foreign currency exposures of our net investment in certain foreign affiliates and are designated as hedges of net investments. The effective portion of foreign exchange gains or losses on these hedges is recognized as part of the foreign currency translation component of accumulated other comprehensive income/(loss). If our net investment were to fall below the equivalent value of the non-U.S. debt borrowings, the change in the remeasurement basis of the debt would be subject to recognition in income as changes occur. For additional information, see “Note 10 Financial Instruments and Fair Value Measurements.”

Interest Rate Risk

Fixed-to-floating interest rate swap contracts are used and designated as fair-value hedges as part of our interest rate risk management strategy. These contracts are intended to provide us with an appropriate balance of fixed and floating rate debt. We estimate that an increase of 100 basis points in short-term or long-term interest rates would decrease the fair value of our interest rate swap contracts by $161 million, excluding the effects of our counterparty and our own credit risk. If realized, the fair value reduction would affect earnings over the remaining life of the contracts.

We estimate that an increase of 100 basis points in long-term interest rates would decrease the fair value of long-term debt by $697 million. Our marketable securities are subject to changes in fair value as a result of interest rate fluctuations and other market factors. Our policy is to invest only in institutions that meet high credit quality standards. We estimate that an increase of 100 basis points in interest rates in general would decrease the fair value of our debt security portfolio by approximately $104 million.

Credit Risk

Although not material, certain European government-backed entities with a higher risk of default were identified by monitoring economic factors including credit ratings, credit-default swap rates and debt-to-gross domestic product ratios in addition to entity specific factors. Historically, our exposure was limited by factoring receivables. Our credit exposures in Europe may increase in the future due to reductions in our factoring arrangements and the ongoing sovereign debt crisis. Our credit exposure to trade receivables in Greece, Portugal, Italy and Spain was approximately $172 million at December 31, 2013, of which approximately 80% was from government-backed entities.

We monitor our investments with counterparties with the objective of minimizing concentrations of credit risk. Our investment policy places limits on the amount and time to maturity of investments with any individual counterparty. The policy also requires that investments are only entered into with corporate and financial institutions that meet high credit quality standards.

The use of derivative instruments exposes us to credit risk. When the fair value of a derivative instrument contract is positive, we are exposed to credit risk if the counterparty fails to perform. When the fair value of a derivative instrument contract is negative, the counterparty is exposed to credit risk if we fail to perform our obligation. Under the terms of the agreements, posting of collateral is not required by any party whether derivatives are in an asset or liability position. We have a policy of diversifying derivatives with counterparties to mitigate the overall risk of counterparty defaults. For additional information, see “Note 10 Financial Instruments and Fair Value Measurements.”

CONSOLIDATED STATEMENTS OF EARNINGS

Dollars and Shares in Millions, Except Per Share Data

	Year Ended December 31,		
EARNINGS	**2013**	2012	2011
Net product sales	**$ 12,304**	$ 13,654	$ 17,622
Alliance and other revenues	**4,081**	3,967	3,622
Total Revenues	**16,385**	17,621	21,244
Cost of products sold	**4,619**	4,610	5,598
Marketing, selling and administrative	**4,084**	4,220	4,203
Advertising and product promotion	**855**	797	957
Research and development	**3,731**	3,904	3,839
Impairment charge for BMS-986094 intangible asset	**—**	1,830	—
Other (income)/expense	**205**	(80)	(334)
Total Expenses	**13,494**	15,281	14,263
Earnings Before Income Taxes	**2,891**	2,340	6,981
Provision for/(Benefit from) Income Taxes	**311**	(161)	1,721
Net Earnings	**2,580**	2,501	5,260
Net Earnings Attributable to Noncontrolling Interest	**17**	541	1,551
Net Earnings Attributable to BMS	**$ 2,563**	$ 1,960	$ 3,709
Earnings per Common Share			
Basic	**$ 1.56**	$ 1.17	$ 2.18
Diluted	**$ 1.54**	$ 1.16	$ 2.16
Cash dividends declared per common share	**$ 1.41**	$ 1.37	$ 1.33

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Dollars in Millions

COMPREHENSIVE INCOME	Year Ended December 31, 2013	2012	2011
Net Earnings	**$ 2,580**	$ 2,501	$ 5,260
Other Comprehensive Income/(Loss), net of taxes and reclassifications to earnings:			
Derivatives qualifying as cash flow hedges:	**7**	(27)	56
Pension and postretirement benefits	**1,166**	(118)	(742)
Available for sale securities	**(37)**	3	28
Foreign currency translation	**(75)**	(15)	(16)
Total Other Comprehensive Income/(Loss)	**1,061**	(157)	(674)
Comprehensive Income	**3,641**	2,344	4,586
Comprehensive Income Attributable to Noncontrolling Interest	**17**	535	1,558
Comprehensive Income Attributable to BMS	**$ 3,624**	$ 1,809	$ 3,028

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

CONSOLIDATED BALANCE SHEETS

Dollars in Million, Except Share and Per Share Data

ASSETS	December 31, 2013	2012
Current Assets:		
Cash and cash equivalents	$ 3,586	$ 1,656
Marketable securities	939	1,173
Receivables	3,360	3,083
Inventories	1,498	1,657
Deferred income taxes	1,701	1,597
Prepaid expenses and other	412	355
Assets held-for-sale	7,420	—
Total Current Assets	18,916	9,521
Property, plant and equipment	4,579	5,333
Goodwill	7,096	7,635
Other intangible assets	2,318	8,778
Deferred income taxes	508	203
Marketable securities	3,747	3,523
Other assets	1,428	904
Total Assets	$ 38,592	$ 35,897
LIABILITIES		
Current Liabilities:		
Short-term borrowings and current portion of long-term debt	$ 359	$ 826
Accounts payable	2,559	2,202
Accrued expenses	2,152	2,573
Deferred income	756	825
Accrued rebates and returns	889	1,054
Income taxes payable	160	193
Dividends payable	634	606
Liabilities related to assets held-for-sale	4,931	—
Total Current Liabilities	12,440	8,279
Pension, postretirement and postemployment liabilities	718	1,882
Deferred income	769	4,024
Income taxes payable	750	648
Deferred income taxes	73	383
Other liabilities	625	475
Long-term debt	7,981	6,568
Total Liabilities	23,356	22,259
Commitments and contingencies (Note 22)		
EQUITY		
Bristol-Myers Squibb Company Shareholders' Equity:		
Preferred stock, $2 convertible series, par value $1 per share: Authorized 10 million shares; issued and outstanding 4,369 in 2013 and 5,117 in 2012, liquidation value of $50 per share	—	—
Common stock, par value of $0.10 per share: Authorized 4.5 billion shares; 2.2 billion issued in both 2013 and 2012	221	221
Capital in excess of par value of stock	1,922	2,694
Accumulated other comprehensive loss	(2,141)	(3,202)
Retained earnings	32,952	32,733
Less cost of treasury stock — 559 million common shares in 2013 and 570 million in 2012	(17,800)	(18,823)
Total Bristol-Myers Squibb Company Shareholders' Equity	15,154	13,623
Noncontrolling interest	82	15
Total Equity	15,236	13,638
Total Liabilities and Equity	$ 38,592	$ 35,897

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Dollars in Millions

	Year Ended December 31,		
	2013	2012	2011
Cash Flows From Operating Activities:			
Net earnings	**$ 2,580**	$ 2,501	$ 5,260
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Net earnings attributable to noncontrolling interest	**(17)**	(541)	(1,551)
Depreciation and amortization, net	**763**	681	628
Deferred income taxes	**(491)**	(1,230)	415
Stock-based compensation	**191**	154	161
Impairment charges	**40**	2,180	28
Proceeds from Amylin diabetes alliance	**—**	3,570	—
Other	**(9)**	(35)	(147)
Changes in operating assets and liabilities:			
Receivables	**(504)**	648	(220)
Inventories	**(45)**	(103)	(193)
Accounts payable	**412**	(232)	593
Deferred income	**965**	295	58
Income taxes payable	**126**	(50)	(134)
Other	**(466)**	(897)	(58)
Net Cash Provided by Operating Activities	**3,545**	6,941	4,840
Cash Flows From Investing Activities:			
Proceeds from sale and maturities of marketable securities	**1,815**	4,890	5,960
Purchases of marketable securities	**(1,859)**	(3,607)	(6,819)
Additions to property, plant and equipment and capitalized software	**(537)**	(548)	(367)
Proceeds from sale of businesses and other investing activities	**9**	68	149
Purchase of businesses, net of cash acquired	**—**	(7,530)	(360)
Net Cash Used in Investing Activities	**(572)**	(6,727)	(1,437)
Cash Flows From Financing Activities:			
Short-term debt borrowings/(repayments)	**198**	49	(1)
Proceeds from issuance of long-term debt	**1,489**	1,950	—
Repayments of long-term debt	**(597)**	(2,108)	(78)
Interest rate swap contract terminations	**20**	2	296
Issuances of common stock	**564**	463	601
Repurchases of common stock	**(433)**	(2,403)	(1,221)
Dividends	**(2,309)**	(2,286)	(2,254)
Net Cash Used in Financing Activities	**(1,068)**	(4,333)	(2,657)
Effect of Exchange Rates on Cash and Cash Equivalents	**25**	(1)	(3)
Increase/(Decrease) in Cash and Cash Equivalents	**1,930**	(4,120)	743
Cash and Cash Equivalents at Beginning of Year	**1,656**	5,776	5,033
Cash and Cash Equivalents at End of Year	**$ 3,586**	$ 1,656	$ 5,776

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

Note 1 ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements are prepared in conformity with United States (U.S.) generally accepted accounting principles (GAAP), including the accounts of Bristol-Myers Squibb Company (which may be referred to as Bristol-Myers Squibb, BMS, or the Company) and all of its controlled majority-owned subsidiaries. All intercompany balances and transactions are eliminated. Material subsequent events are evaluated and disclosed through the report issuance date.

Alliance and license arrangements are assessed to determine whether the terms provide economic or other control over the entity requiring consolidation of an entity. Entities controlled by means other than a majority voting interest are referred to as variable interest entities. There were no arrangements with material variable interest entities during any of the periods presented.

Use of Estimates

The preparation of financial statements requires the use of management estimates and assumptions. The most significant assumptions are estimates in determining the fair value and potential impairment of intangible assets; sales rebate and return accruals; legal contingencies; income taxes; and pension and postretirement benefits. Actual results may differ from estimated results.

Reclassifications

Certain prior period amounts were reclassified to conform to the current period presentation. Net product sales and alliance and other revenues previously presented in the aggregate as net sales in the consolidated statements of earnings are now presented separately.

Revenue Recognition

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

Provisions are made at the time of revenue recognition for expected sales returns, discounts, rebates and estimated sales allowances based on historical experience updated for changes in facts and circumstances including the impact of applicable healthcare legislation. Such provisions are recognized as a reduction of revenue.When a new product is not an extension of an existing line of product or there is no historical experience with products in a similar therapeutic category, revenue is deferred until the right of return no longer exists or sufficient historical experience to estimate sales returns is developed.

Income Taxes

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

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

Cash and Cash Equivalents

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

Marketable Securities and Investments in Other Companies

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

Investments in 50% or less owned companies are accounted for using the equity method of accounting when the ability to exercise significant influence is maintained. The share of net income or losses of equity investments is included in equity in net income of affiliates in other (income)/expense. Equity investments are reviewed for impairment by assessing if the decline in market value of the investment below the carrying value is other than temporary, which considers the intent and ability to retain the investment, the length of time and extent that the market value has been less than cost, and the financial condition of the investee.

Inventory Valuation

Inventories are stated at the lower of average cost or market.

Property, Plant and Equipment and Depreciation

Expenditures for additions, renewals and improvements are capitalized at cost. Depreciation is computed on a straight-line method based on the estimated useful lives of the related assets ranging from 20 to 50 years for buildings and 3 to 20 years for machinery, equipment, and fixtures.

Impairment of Long-Lived Assets

Current facts or circumstances are periodically evaluated to determine if the carrying value of depreciable assets to be held and used may not be recoverable. If such circumstances exist, an estimate of undiscounted future cash flows generated by the long-lived asset, or the appropriate grouping of assets, is compared to the carrying value to determine whether an impairment exists at its lowest level of identifiable cash flows. If an asset is determined to be impaired, the loss is measured based on the difference between the asset's fair value and its carrying value. An estimate of the asset's fair value is based on quoted market prices in active markets, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques using Level 3 fair value inputs, including a discounted value of estimated future cash flows.

Capitalized Software

Eligible costs to obtain internal use software for significant systems projects are capitalized and amortized over the estimated useful life of the software. Insignificant costs to obtain software for projects are expensed as incurred.

Business Combinations

Businesses acquired are consolidated upon obtaining control of the acquiree. The fair value of assets acquired and liabilities assumed are recognized at the date of acquisition. Any excess of the purchase price over the estimated fair values of the net assets acquired is recognized as goodwill. Legal, audit, business valuation, and all other business acquisition costs are expensed when incurred.

Goodwill, Acquired In-Process Research and Development and Other Intangible Assets

The fair value of intangible assets is typically determined using the "income method" which utilizes Level 3 fair value inputs. The market participant valuations assume a global view considering all potential jurisdictions and indications based on discounted after-tax cash flow projections, risk adjusted for estimated probability of technical and regulatory success (for IPRD).

Finite-lived intangible assets, including licenses, developed technology rights and IPRD projects that reach commercialization are amortized on a straight-line basis over their estimated useful life. Estimated useful lives are determined considering the period in which the assets are expected to contribute to future cash flows.

Goodwill is tested at least annually for impairment by assessing qualitative factors or performing a quantitative analysis in determining whether it is more likely than not that the fair value of net assets are below their carrying amounts. Examples of qualitative factors assessed in 2013 include our share price, our financial performance compared to budgets, long-term financial plans, macroeconomic, industry and market conditions as well as the substantial excess of fair value over the carrying value of net assets from the annual impairment test performed in the prior year. Each relevant factor is assessed both individually and in the aggregate.

IPRD is tested for impairment on an annual basis and more frequently if events occur or circumstances change that would indicate a potential reduction in the fair values of the assets below their carrying value. If the carrying value of IPRD is determined to exceed the fair value, an impairment loss is recognized for the difference.

Finite-lived intangible assets are tested for impairment when facts or circumstances suggest that the carrying value of the asset may not be recoverable. If the carrying value exceeds the projected undiscounted pre-tax cash flows of the intangible asset, an impairment loss equal to the excess of the carrying value over the estimated fair value (discounted after-tax cash flows) is recognized.

Restructuring

Restructuring charges are recognized as a result of actions to streamline operations and rationalize manufacturing facilities. Judgment is used when estimating the impact of restructuring plans, including future termination benefits and other exit costs to be incurred when the actions take place. Actual results could vary from these estimates.

Contingencies

Loss contingencies from legal proceedings and claims may occur from a wide range of matters, including government investigations, shareholder lawsuits, product and environmental liability, contractual claims and tax matters. Accruals are recognized when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. Gain contingencies (including contingent proceeds related to the divestitures) are not recognized until realized. Legal fees are expensed as incurred.

Derivative Financial Instruments

Derivatives are used principally in the management of interest rate and foreign currency exposures and are not held or used for trading purposes.

Derivatives are recognized at fair value with changes in fair value recognized in earnings unless specific hedge criteria are met. If the derivative is designated as a fair value hedge, changes in fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are reported in accumulated other comprehensive income/(loss) (OCI) and subsequently recognized in earnings when the hedged item affects earnings. Cash flows are classified consistent with the underlying hedged item. Derivatives are designated and assigned as hedges of forecasted transactions, specific assets or specific liabilities. When hedged assets or liabilities are sold or extinguished or the forecasted transactions being hedged are no longer probable to occur, a gain or loss is immediately recognized in earnings. Non-derivative instruments, primarily euro denominated long-term debt, are also designated as hedges of net investments in foreign affiliates. The effective portion of the designated non-derivative instrument is recognized in the foreign currency translation section of OCI and the ineffective portion is recognized in earnings.

Shipping and Handling Costs

Shipping and handling costs are included in marketing, selling and administrative expenses and were $119 million in 2013, $125 million in 2012 and $139 million in 2011.

Advertising and Product Promotion Costs

Advertising and product promotion costs are expensed as incurred.

Foreign Currency Translation

Foreign subsidiary earnings are translated into U.S. dollars using average exchange rates. The net assets of foreign subsidiaries are translated into U.S. dollars using current exchange rates. The U.S. dollar effects that arise from translating the net assets of these subsidiaries at changing rates are recognized in OCI.

Research and Development

Research and development costs are expensed as incurred. Clinical study costs are accrued over the service periods specified in the contracts and adjusted as necessary based upon an ongoing review of the level of effort and costs actually incurred. Strategic alliances with third parties provide rights to develop, manufacture, market and/or sell pharmaceutical products, the rights to which are owned by the other party. Research and development is recognized net of reimbursements in connection with alliance agreements.

Recently Issued Accounting Standards

In July 2013, the Financial Accounting Standards Board issued an update that clarified existing guidance on the presentation of unrecognized tax benefits when various qualifying tax benefit carryforwards exist, including when the unrecognized tax benefit should be presented as a reduction to deferred tax assets or as a liability. This update is required to be adopted for all annual periods and interim reporting periods beginning after December 15, 2013, with early adoption permitted. The reduction to deferred tax assets is expected to be approximately $250 million.

Note 2 BUSINESS SEGMENT INFORMATION

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

Products are sold principally to wholesalers, and to a lesser extent, directly to distributors, retailers, hospitals, clinics, government agencies and pharmacies. Gross revenues to the three largest pharmaceutical wholesalers in the U.S. as a percentage of global gross revenues were as follows:

	2013	2012	2011
McKesson Corporation	**19%**	23%	26%
Cardinal Health, Inc.	**14%**	19%	21%
AmerisourceBergen Corporation	**15%**	14%	16%

Selected geographic area information was as follows:

	Total Revenues			Property, Plant and Equipment	
Dollars in Millions	2013	2012	2011	2013	2012
United States	**$ 8,318**	$ 10,384	$ 14,039	**$ 3,708**	$ 4,464
Europe	**3,930**	3,706	3,879	**729**	740
Rest of the World	**3,295**	3,204	3,237	**142**	129
Other[(a)]	**842**	327	89	**—**	—
Total	**$ 16,385**	$ 17,621	$ 21,244	**$ 4,579**	$ 5,333

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

Total revenues of key products were as follows:

Dollars in Millions	Year Ended December 31, 2013	2012	2011
Virology			
Baraclude (entecavir)	**$ 1,527**	$ 1,388	$ 1,196
Reyataz (atazanavir sulfate)	**1,551**	1,521	1,569
Sustiva (efavirenz) Franchise[(a)]	**1,614**	1,527	1,485
Oncology			
Erbitux (cetuximab)	**696**	702	691
Sprycel (dasatinib)	**1,280**	1,019	803
Yervoy (ipilimumab)	**960**	706	360
Neuroscience			
Abilify (aripiprazole)[(b)]	**2,289**	2,827	2,758
Metabolics			
Bydureon (exenatide extended-release for injectable suspension)	**298**	78	N/A
Byetta (exenatide)	**400**	149	N/A
Forxiga (dapagliflozin)	**23**	—	N/A
Onglyza/Kombiglyze (saxagliptin/saxagliptin and metformin)	**877**	709	473
Immunoscience			
Nulojix (belatacept)	**26**	11	3
Orencia (abatacept)	**1,444**	1,176	917
Cardiovascular			
Avapro/Avalide (irbesartan/irbesartan-hydrochlorothiazide)	**231**	503	952
Eliquis (apixaban)	**146**	2	—
Plavix (clopidogrel bisulfate)	**258**	2,547	7,087
Mature Products and All Other	**2,765**	2,756	2,950
Total Revenues	**$ 16,385**	$ 17,621	$ 21,244

(a) Includes $1,366 million in 2013, $1,267 million in 2012 and $1,203 million in 2011 presented in alliance and other revenue.
(b) Includes $1,840 million in 2013, $2,340 million in 2012 and $2,303 million in 2011 presented in alliance and other revenue.

Note 3 ALLIANCES

BMS enters into collaboration arrangements with third parties for the development and commercialization of certain products. Although each of these arrangements is unique in nature, both parties are active participants in the operating activities of the collaboration and exposed to significant risks and rewards depending on the commercial success of the activities. BMS may either in-license intellectual property owned by the other party or out-license its intellectual property to the other party. These arrangements also typically include research, development, manufacturing, and/or commercial activities and can cover a single investigational compound or commercial product or multiple compounds and/or products in various life cycle stages. We refer to these collaborations as alliances and our partners as alliance partners.

Payments between alliance partners are accounted for and presented in the results of operations after considering the specific nature of the payment and the underlying activities to which the payments relate. Multiple alliance activities, including the transfer of rights, are only separated into individual units of accounting if they have standalone value from other activities that occur over the life of the arrangements. In these situations, the arrangement consideration is allocated to the activities or rights on a relative selling price basis. If multiple alliance activities or rights do not have standalone value, they are combined into a single unit of accounting.

The most common activities between BMS and its alliance partners are presented in results of operations as follows:

- When BMS is the principal in the end customer sale, 100% of third-party product sales are included in net product sales. When BMS's alliance partner is the principal in the end customer sale, BMS's contractual share of the third-party sales and/or royalty income are included in alliance and other revenue as the sale of commercial products are considered part of BMS's ongoing major or central operations. Refer to "Revenue Recognition" included in "—Note 1 Accounting Policies" for information regarding recognition criteria.
- Amounts payable to BMS by alliance partners (who are the principal in the end customer sale) for supply of commercial products are included in alliance and other revenue as the sale of commercial products are considered part of BMS's ongoing major or central operations.

- Amounts payable by BMS to alliance partners for profit sharing, royalties and other sales-based fees are included in cost of products sold as incurred.
- Cost reimbursements between the parties are recognized as incurred and included in cost of products sold; marketing, selling and administrative expenses; advertising and product promotion expenses; or research and development expenses, based on the underlying nature of the related activities subject to reimbursement.
- Upfront and contingent development and approval milestones payable to BMS by alliance partners for investigational compounds and commercial products are deferred and amortized over the shorter of the contractual term or the periods in which the related compounds or products are expected to contribute to future cash flows. The amortization is presented consistent with the nature of the payment under the arrangement. For example, amounts received for investigational compounds are presented in other (income)/expense as the activities being performed at that time are not related to the sale of commercial products that are part of BMS's ongoing major or central operations; amounts received for commercial products are presented in alliance and other revenue as the sale of commercial products are considered part of BMS's ongoing major or central operations (except for the AstraZeneca PLC (AstraZeneca) alliance pertaining to the Amylin products – see further discussion under the specific AstraZeneca alliance disclosure herein).
- Upfront and contingent approval milestones payable by BMS to alliance partners for commercial products are capitalized and amortized over the shorter of the contractual term or the periods in which the related products are expected to contribute to future cash flows. The amortization is included in cost of products sold.
- Upfront and contingent milestones payable by BMS to alliance partners prior to regulatory approval are expensed as incurred and included in research and development expenses.
- Equity in net income of affiliates is included in other (income)/expense.
- All payments between BMS and its alliance partners are presented in cash flows from operating activities.

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

	Year Ended December 31,		
Dollars in Millions	**2013**	2012	2011
Revenues from alliances:			
Net product sales	**$ 4,417**	$ 6,124	$ 10,460
Alliance and other revenues	**3,804**	3,748	3,548
Total Revenues	**8,221**	9,872	14,008
Payments to/(from) alliance partners:			
Cost of products sold	**$ 1,356**	$ 1,706	$ 2,823
Marketing, selling and administrative	**(125)**	(80)	(9)
Advertising and product promotion	**(58)**	(97)	(86)
Research and development	**(140)**	4	89
Other (income)/expense	**(313)**	(489)	(317)
Net earnings attributable to noncontrolling interest, pre-tax	**36**	844	2,323

Selected Alliance Balance Sheet Information:	December 31,	
Dollars in Millions	**2013**	2012
Receivables – from alliance partners	**$ 1,122**	$ 857
Accounts payable – to alliance partners	**1,396**	1,052
Deferred income from alliances[(a)]	**5,089**	4,647

(a) Includes deferred income classified as liabilities related to assets held-for-sale of $3,671 million at December 31, 2013.

Specific information pertaining to each of our significant alliances is discussed below, including their nature and purpose; the significant rights and obligations of the parties; specific accounting policy elections; and the income statement classification of and amounts attributable to payments between the parties.

Otsuka

BMS has a worldwide commercialization agreement with Otsuka Pharmaceutical Co., Ltd. (Otsuka), to codevelop and copromote *Abilify,* excluding certain Asian countries. The U.S. portion of the agreement was amended in 2009 and 2012 and expires upon the expected loss of product exclusivity in April 2015. The agreement expires in all European Union (EU) countries in June 2014 and in each other non-U.S. country where we have the exclusive right to sell *Abilify*, the agreement expires on the later of April 2015 or loss of exclusivity in any such country.

Both parties actively participate in joint executive governance and operating committees. Although Otsuka assumed responsibility for providing and funding all sales force efforts effective January 2013 (under the 2012 U.S. amendment), BMS is responsible for funding certain operating expenses up to various annual limits in 2013 through 2015. BMS purchases the active pharmaceutical ingredient (API) from Otsuka and completes the manufacture of the product for subsequent sale to third-party customers in the U.S. and certain other countries. Otsuka assumed responsibility for providing and funding sales force efforts in the EU effective April 2013. BMS also provides certain other services including distribution, customer management and pharmacovigilence. Otsuka is the principal for third-party product sales in the U.S., United Kingdom (UK), Germany, France, Spain and Italy (beginning March 1, 2013) and BMS is the principal for third-party product sales when it is the exclusive distributor for or has an exclusive right to sell *Abilify* which is in the remaining territories.

Alliance and other revenue is recognized for only BMS’s share of total net sales to third-party customers in these territories. In the U.S., BMS’s contractual share was 51.5% in 2012 and 53.5% in 2011. Beginning January 1, 2013, BMS’s contractual share changed to the percentages of total U.S. net sales set forth in the table below. An assessment of BMS's expected annual contractual share is completed each quarterly reporting period and adjusted based upon reported U.S. *Abilify* net sales at December 31, 2013. BMS's annual contractual share was 34.0% in 2013. The alliance and other revenue recognized in any interim period or quarter does not exceed the amounts that are due under the contract.

Annual U.S. Net Sales	BMS Share as a % of U.S. Net Sales
$0 to $2.7 billion	50%
$2.7 billion to $3.2 billion	20%
$3.2 billion to $3.7 billion	7%
$3.7 billion to $4.0 billion	2%
$4.0 billion to $4.2 billion	1%
In excess of $4.2 billion	20%

In the United Kingdom, Germany, France, Spain, and Italy (beginning on March 1, 2013), BMS’s contractual share of third-party net sales is 65%. In these countries and the U.S., alliance and other revenue is recognized when *Abilify* is shipped and all risks and rewards of ownership have been transferred to third-party customers.

Under the terms of the 2009 U.S. amendment, BMS paid Otsuka $400 million in 2009, which is amortized as a reduction of alliance and other revenue through the expected loss of U.S. exclusivity in April 2015. The unamortized balance is included in other assets. Otsuka receives a royalty based on 1.5% of total U.S. net sales, which is included in cost of products sold. Otsuka was responsible for 30% of the U.S. expenses related to the commercialization of *Abilify* from 2010 through 2012.

BMS and Otsuka also have an alliance for *Sprycel* and *Ixempra* (ixabepilone) in the U.S., Japan and the EU. While both parties actively participate in various governance committees, BMS has control over the decision making. Both parties co-promote the product. BMS is responsible for the development and manufacture of the product. BMS is also the principal in the end-customer product sales.

A fee is paid to Otsuka based on the following percentages of annual net sales of *Sprycel* and *Ixempra*:

	% of Net Sales	
	2010 - 2012	2013 - 2020
$0 to $400 million	30%	65%
$400 million to $600 million	5%	12%
$600 million to $800 million	3%	3%
$800 million to $1.0 billion	2%	2%
In excess of $1.0 billion	1%	1%

During these annual periods, Otsuka contributes 20% of the first $175 million of certain commercial operational expenses relating to the Oncology Products in the Oncology Territory and 1% of such costs in excess of $175 million.

The U.S. extension and the oncology alliance include a change-of-control provision in the case of an acquisition of BMS. If the acquiring company does not have a competing product to *Abilify*, then the new company will assume the *Abilify* agreement (as amended) and the oncology alliance as it exists today. If the acquiring company has a product that competes with *Abilify*, Otsuka can elect to request the

acquiring company to choose whether to divest *Abilify* or the competing product. In the scenario where *Abilify* is divested, Otsuka would be obligated to acquire the rights of BMS under the *Abilify* agreement (as amended). The agreements also provide that in the event of a generic competitor to *Abilify* after January 1, 2010, BMS has the option of terminating the *Abilify* April 2009 amendment (with the agreement as previously amended remaining in force). If BMS were to exercise such option then either (i) BMS would receive a payment from Otsuka according to a pre-determined schedule and the oncology alliance would terminate at the same time or (ii) the oncology alliance would continue for a truncated period according to a pre-determined schedule.

Summarized financial information related to this alliance was as follows:

	Year Ended December 31,		
Dollars in Millions	**2013**	2012	2011
Revenues from Otsuka alliances:			
Net product sales	**$ 1,543**	$ 1,386	$ 1,181
Alliance and other revenues[(a)]	**1,840**	2,340	2,303
Total Revenues	**3,383**	3,726	3,484
Payments to/(from) Otsuka:			
Cost of products sold:			
Oncology fee	**295**	138	134
Royalties	**86**	78	72
Amortization of intangible assets	**—**	5	6
Cost of product supply	**135**	153	145
Cost reimbursements to/(from) Otsuka	**(10)**	(47)	(45)

Selected Alliance Balance Sheet information:	December 31,	
Dollars in Millions	**2013**	2012
Other assets – extension payment	**$ 87**	$ 153

(a) Includes the amortization of the extension payment as a reduction to alliance and other revenue of $66 million in 2013, 2012 and 2011.

AstraZeneca

BMS and AstraZeneca had a diabetes alliance consisting of three worldwide codevelopment and commercialization agreements. The first agreement covered *Onglyza* and related combination products sold under various names. The second agreement covered *Forxiga* (will be commercialized as *Farxiga* in the U.S.) and related combination products. The third agreement covered Amylin's portfolio of products (*Bydureon*, *Byetta*, *Symlin* (pramlintide acetate) and metreleptin, which is currently in development) as well as certain assets owned by Amylin, included a manufacturing facility. The *Onglyza* agreement excluded Japan.

Upon entering into each of the separate agreements, co-exclusive license rights for the product or products underlying each agreement were granted to AstraZeneca in exchange for an upfront payment and potential milestone payments, and both parties assumed certain obligations to actively participate in the alliance. Both parties actively participated in a joint executive committee and various other operating committees and had joint responsibilities for the research, development, distribution, sales and marketing activities of the alliance using resources in their own infrastructures. BMS manufactured the products in all three alliances and was the principal in the end-customer product sales in substantially all countries.

For each alliance agreement, we have determined that the rights transferred to AstraZeneca did not have standalone value as such rights were not sold separately by BMS or any other party, nor could AstraZeneca have received any benefit for the delivered rights without the fulfillment of other ongoing obligations by BMS under the alliance agreements, including the exclusive supply arrangement. As such, each global alliance was treated as a single unit of accounting. As a result, up-front proceeds and any subsequent contingent milestone proceeds were amortized over the life of the related products.

In 2012, BMS received a $3.6 billion non-refundable, upfront payment from AstraZeneca in consideration for entering into the Amylin alliance. In 2013, AstraZeneca exercised its option for equal governance rights over certain key strategic and financial decisions regarding the Amylin alliance and paid BMS $135 million as consideration. These payments were accounted for as deferred income and amortized based on the relative fair value of the predominant elements included in the alliance over their estimated useful lives (intangible assets related to *Bydureon* with an estimated useful life of 13 years, *Byetta* with an estimated useful life of 7 years, *Symlin* with an estimated life of 9 years, metreleptin with an estimated useful life of 12 years, and the Amylin manufacturing plant with an estimated useful life of 15 years). The amortization was presented as a reduction to cost of products sold because the alliance assets were acquired shortly before

the commencement of the alliance and AstraZeneca was entitled to share in the proceeds from the sale of any of the assets. The amortization of the acquired Amylin intangible assets and manufacturing plant was also presented in cost of products sold. BMS was entitled to reimbursements for 50% of capital expenditures related to the acquired Amylin manufacturing facility. BMS and AstraZeneca also shared in certain tax attributes related to the Amylin alliance.

BMS received $300 million in non-refundable upfront, milestone and other licensing payments related to *Onglyza* to date. BMS also received $250 million in non-refundable upfront, milestone and other licensing payments related to *Forxiga* to date. Amortization of the *Onglyza* and *Forxiga* deferred income was included in other income as *Onglyza* and *Forxiga* were not commercial products at the commencement of the alliance.

Both parties equally shared most commercialization and development expenses, as well as profits and losses.

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

	Year Ended December 31,		
Dollars in Millions	**2013**	2012	2011
Revenues from AstraZeneca alliances:			
Net product sales	**$ 1,658**	$ 962	$ 472
Alliance and other revenues	**16**	10	1
Total Revenues	**$ 1,674**	$ 972	$ 473
Payments to/(from) AstraZeneca:			
Cost of products sold:			
Profit sharing	**673**	425	207
Amortization of deferred income	**(307)**	(126)	—
Cost reimbursements to/(from) AstraZeneca recognized in:			
Cost of products sold	**(25)**	(4)	—
Marketing, selling and administrative	**(127)**	(66)	(14)
Advertising and product promotion	**(45)**	(43)	(21)
Research and development	**(86)**	(25)	35
Other (income)/expense:			
Amortization of deferred income	**(31)**	(38)	(38)
Provision for restructuring	**(25)**	(21)	—
Selected Alliance Cash Flow information:			
Non-refundable upfront, milestone and other licensing payments received:			
Amylin-related products	**135**	3,547	—
Forxiga	**80**	—	120

Selected Alliance Balance Sheet information:	December 31,	
Dollars in Millions	**2013**	2012
Deferred income – Non-refundable upfront, milestone and other licensing receipts[(a)]		
Amylin-related products	**$ 3,288**	$ 3,423
Onglyza	**191**	208
Forxiga	**192**	206

(a) Included in liabilities related to assets held-for-sale at December 31, 2013.

In February 2014, BMS sold to AstraZeneca the diabetes business of BMS which comprised our global alliance with them, including all rights and ownership to *Onglyza*, *Forxiga*, *Bydureon*, *Byetta*, *Symlin (*pramlintide acetate) and metreleptin. The transaction included the shares of Amylin, and the resulting transfer of its manufacturing plant; the intellectual property related to *Onglyza* and *Forxiga* and the future purchase of BMS's manufacturing facility located in Mount Vernon, Indiana no earlier than 18 months following the closing of the transaction. The parties terminated their existing alliance agreements in connection with the sale and entered into several new agreements, including a transitional services agreement, a supply agreement and a development agreement. See "—Note 5 Assets Held-For-Sale" for further information.

Gilead

BMS and Gilead Sciences, Inc. (Gilead) have joint ventures in the U.S. (for the U.S. and Canada) and in Europe to develop and commercialize *Atripla* (efavirenz 600 mg/ emtricitabine 200 mg/ tenofovir disoproxil fumarate 300 mg), combining *Sustiva*, a product of BMS, and *Truvada* (emtricitabine and tenofovir disoproxil fumarate), a product of Gilead. The joint ventures are consolidated by Gilead.

Both parties actively participate in a joint executive committee and various other operating committees with direct oversight over the activities of the joint ventures. The joint ventures purchase *Sustiva* and *Truvada* API in bulk form from the parties and complete the finishing of *Atripla*. In the U.S. and Canada, the joint venture sells and distributes *Atripla* and is the principal in third-party customer sales. In Europe, Gilead and its affiliates sell and distribute *Atripla* and are the principal in third-party customer sales. The parties no longer coordinate joint promotional activities.

Alliance and other revenue recognized for *Atripla* include only the bulk efavirenz component of *Atripla* which is based on the relative ratio of the average respective net selling prices of *Truvada* and *Sustiva.* Alliance and other revenue is deferred and the related alliance receivable is not recognized until the combined product is sold to third-party customers.

In Europe, following the 2013 loss of exclusivity of *Sustiva* and effective January 1, 2014, the percentage of *Atripla* net sales that BMS will recognize will be based on the ratio of the difference in the average net selling prices of *Atripla* and *Truvada* to the *Atripla* average net selling price. This alliance will continue until either party terminates the arrangement or the last patent expiration occurs for *Atripla*, *Truvada*, or *Sustiva.*

In the U.S., the agreement may be terminated by Gilead upon the launch of a generic version of *Sustiva* or by BMS upon the launch of a generic version of *Truvada.* In the event Gilead terminates the agreement upon the loss of exclusivity for *Sustiva,* BMS will receive a quarterly royalty payment for 36 months following termination. Such payment in the first 12 months following termination is equal to 55% of *Atripla* net sales multiplied by the ratio of the difference in the average net selling prices of *Atripla* and *Truvada* to the *Atripla* average net selling price. In the second and third years following termination, the payment to BMS is reduced to 35% and 15%, respectively, of *Atripla* net sales multiplied by the price ratio described above. BMS will continue to supply *Sustiva* at cost plus a markup to the joint ventures during this three-year period, unless either party elects to terminate the supply arrangement.

Summarized financial information related to this alliance was as follows:

	Year Ended December 31,		
Dollars in Millions	**2013**	2012	2011
Revenues from Gilead alliances:			
Net product sales	$ —	$ —	$ 1
Alliance and other revenues	**1,366**	1,267	1,203
Total Revenues	**1,366**	1,267	1,204
Equity in net loss of affiliates	17	18	16

Selected Alliance Balance Sheet information:	December 31,	
Dollars in Millions	**2013**	2012
Deferred revenue	**$ 468**	$ 339

Lilly

BMS has a commercialization agreement with Eli Lilly and Company (Lilly) through Lilly's November 2008 acquisition of ImClone Systems Incorporated (ImClone) for the codevelopment and promotion of *Erbitux* in the U.S. which expires in September 2018. Both parties actively participate in a joint executive committee and various other operating committees and have shared responsibilities for the research and development of the alliance using resources in their own infrastructures. Lilly is responsible for supplying the product to BMS for distribution and sale. BMS is responsible for promotional efforts for the product in North America although Lilly has the right to copromote at their own expense. BMS also has codevelopment and copromotion rights in Canada and Japan. BMS is the principal in third-party customer sales in North America. Under the commercialization agreement, BMS pays Lilly a distribution fee based on a flat rate of 39% of net sales of *Erbitux* in North America plus a share of certain royalties paid by Lilly.

In Japan, BMS shares rights to *Erbitux* under an agreement with Lilly and Merck KGaA and receives 50% of the pre-tax profit from Merck KGaA's net sales of *Erbitux* in Japan which is further shared equally with Lilly.

In March 2013,BMS and Lilly terminated its arrangement for necitumumab (IMC-11F8), with all rights returning to Lilly. Discovered by ImClone, necitumumab is a fully human monoclonal antibody that was part of the alliance between BMS and Lilly.

BMS is amortizing $500 million of license acquisition costs associated with the *Erbitux* alliance agreement through 2018.

Summarized financial information related to this alliance was as follows:

	Year Ended December 31,		
Dollars in Millions	**2013**	2012	2011
Revenues from Lilly alliance:			
Net product sales	**$ 696**	$ 702	$ 691
Payments to/(from) Lilly:			
Cost of products sold:			
Distribution fees and royalties	**289**	291	287
Amortization of intangible asset	**37**	38	37
Cost of product supply	**65**	81	73
Cost reimbursements to/(from) Lilly	**(13)**	23	5
Other (income)/expense – Japan commercialization fee	**(30)**	(37)	(34)

Selected Alliance Balance Sheet information	December 31,	
Dollars in Millions	**2013**	2012
Other intangible assets – Non-refundable upfront, milestone and other licensing payments	**$ 174**	$ 211

BMS acquired Amylin Pharmaceuticals, Inc. (Amylin) on August 8, 2012 (see "—Note 4 Acquisitions" for further information). Amylin had previously entered into a settlement and termination agreement with Lilly regarding their alliance for the global development and commercialization of *Byetta* and *Bydureon* (exenatide products) under which the parties agreed to transition full responsibility of these products to Amylin. The transition of the U.S. operations was completed by the time of the acquisition. The transition of non-U.S. operations of the exenatide products in a majority of markets was completed on April 1, 2013 terminating Lilly's exclusive right to non-U.S. commercialization of the exenatide products. Promissory notes assumed in the acquisition of Amylin aggregating $1.4 billion were repaid to Lilly during 2012.

Sanofi

In September 2012, BMS and Sanofi restructured the terms of the codevelopment and cocommercialization agreements for *Plavix* and *Avapro*/*Avalide*. Effective January 1, 2013, Sanofi assumed essentially all of the worldwide operations of the alliance with the exception of *Plavix* in the U.S. and Puerto Rico. The alliance for *Plavix* in these markets will continue unchanged through December 2019 under the same terms as in the original alliance arrangements described below. In exchange for the rights being assumed by Sanofi, BMS will receive quarterly royalties from January 1, 2013 until December 31, 2018 and a terminal payment from Sanofi of $200 million at the end of 2018. All ongoing disputes between the companies were resolved including an $80 million payment by BMS to Sanofi related to the *Avalide* supply disruption in the U.S. in 2011 (accrued for in 2011).

Beginning in 2013, all royalties received from Sanofi in the territory covering the Americas and Australia, opt-out markets, and former development royalties are presented in alliance and other revenues ($220 million). Development and opt-out royalty income of $143 million in 2012 and $126 million in 2011 were included in other (income)/expense. Development royalty expense of $67 million in 2012 and $182 million in 2011 was included in other (income)/expense. Royalties attributed to the territory covering Europe and Asia continue to be earned by the territory partnership and are included in equity in net income of affiliates. Additionally, equity in net income of affiliates in 2013 included $22 million of profit that was deferred prior to the restructuring of the agreement. Alliance and other revenues attributed to the supply of irbesartan API to Sanofi were $116 million in 2013, $117 million in 2012 and $33 million in 2011. The supply arrangement for irbesartan expires in 2015.

Prior to the restructuring, BMS's worldwide alliance with Sanofi for the codevelopment and cocommercialization of *Avapro*/*Avalide* and *Plavix* operated under the framework of two geographic territories: one in the Americas (principally the U.S., Canada, Puerto Rico and Latin American countries) and Australia, and the other in Europe and Asia. These two territory partnerships managed central expenses, such as marketing, research and development and royalties, and supply of finished product to individual countries. BMS acted as the operating partner and owned a 50.1% majority controlling interest in the territory covering the Americas and Australia and consolidates all country partnership results for this territory with Sanofi's 49.9% share of the results reflected as a noncontrolling interest. BMS also recognized net product sales in comarketing countries outside this territory (e.g. Italy for irbesartan only, Germany, Greece and Spain).

Sanofi acted as the operating partner and owned a 50.1% majority controlling interest in the territory covering Europe and Asia and BMS has a 49.9% ownership interest in this territory.

Summarized financial information related to this alliance was as follows:

	Year Ended December 31,		
Dollars in Millions	**2013**	2012	2011
Revenues from Sanofi alliances:			
Net product sales	**$ 153**	$ 2,930	$ 8,003
Alliance and other revenues	**336**	120	37
Total Revenues	**489**	3,050	8,040
Payments to/(from) Sanofi:			
Cost of product supply	**4**	81	245
Cost of products sold – Royalties	**4**	530	1,583
Equity in net income of affiliates	**(183)**	(201)	(298)
Other (income)/expense	**(18)**	(171)	72
Noncontrolling interest – pre-tax	**36**	844	2,323
Selected Alliance Cash Flow information:			
Distributions (to)/from Sanofi - Noncontrolling interest	**43**	(742)	(2,335)
Distributions from Sanofi - Investment in affiliates	**149**	229	283

Selected Alliance Balance Sheet information:	December 31,	
Dollars in Millions	**2013**	2012
Investment in affiliates – territory covering Europe and Asia[(a)]	**43**	9
Noncontrolling interest	**49**	(30)

(a) Included in alliance receivables.

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

	Year Ended December 31,		
Dollars in Millions	**2013**	2012	2011
Net sales	**$ 395**	$ 1,077	$ 1,469
Gross profit	**319**	453	658
Net income	**$ 313**	$ 394	$ 562

Cost of products sold for the territory covering Europe and Asia includes discovery royalties of $38 million in 2013, $133 million in 2012 and $184 million in 2011, which are paid directly to Sanofi. All other expenses are shared based on the applicable ownership percentages. Current assets and current liabilities include approximately $108 million in 2013, $293 million in 2012 and $400 million in 2011 related to receivables/payables attributed to cash distributions to BMS and Sanofi as well as intercompany balances between partnerships within the territory. The remaining current assets and current liabilities consist of third-party trade receivables, inventories and amounts due to BMS and Sanofi for the purchase of inventories, royalties and expense reimbursements.

Pfizer

BMS and Pfizer Inc. (Pfizer) maintain a worldwide codevelopment and cocommercialization agreement for *Eliquis*, an anticoagulant discovered by BMS. Pfizer funds between 50% and 60% of all development costs depending on the study. The companies share commercialization expenses and profits and losses equally on a global basis. In certain countries not in the BMS global commercialization network, Pfizer will commercialize *Eliquis* alone and will pay BMS compensation based on a percentage of net sales.

Upon entering into the agreement, co-exclusive license rights for the product was granted to Pfizer in exchange for an upfront payment and potential milestone payments, and both parties assumed certain obligations to actively participate in the alliance. Both parties actively participate in a joint executive committee and various other operating committees and have joint responsibilities for the research, development, distribution, sales and marketing activities of the alliance using resources in their own infrastructures. BMS manufactures the product in the alliance and is the principal in the end-customer product sales in substantially all countries.

We have determined that the rights transferred to Pfizer did not have standalone value as such rights were not sold separately by BMS or any other party, nor could Pfizer have received any benefit for the delivered rights without the fulfillment of other ongoing obligations by BMS under the alliance agreement, including the exclusive supply arrangement. As such, the global alliance was treated as a single unit of accounting. As a result, up-front proceeds and any subsequent contingent milestone proceeds were amortized over the life of the related product.

BMS received $784 million in non-refundable upfront, milestone and other licensing payments related to *Eliquis* to date, including $20 million received in January 2014, and could receive up to an additional $100 million for development and regulatory milestones. Amortization of the *Eliquis* deferred income is included in other income as *Eliquis* was not a commercial product at the commencement of the alliance.

Summarized financial information related to this alliance was as follows:

	Year Ended December 31,		
Dollars in Millions	**2013**	2012	2011
Revenues from Pfizer alliance:			
Net product sales	**$ 144**	$ 2	$ —
Alliance and other revenues	**2**	—	—
Total Revenues	**146**	2	—
Payments to/(from) Pfizer:			
Cost of products sold – Profit sharing	**69**	1	—
Cost reimbursements to/(from) Pfizer	**4**	(11)	(75)
Other (income)/expense – Amortization of deferred income	**(41)**	(37)	(33)
Selected Alliance Cash Flow information:			
Non-refundable upfront, milestone and other licensing payments receipts	**205**	20	65

Selected Alliance Balance Sheet information:	December 31,	
Dollars in Millions	**2013**	2012
Deferred income	**$ 581**	$ 397

Reckitt Benckiser Group

In May 2013, BMS and Reckitt Benckiser Group plc (Reckitt) entered into a three-year alliance for several over-the-counter-products sold primarily in Mexico and Brazil. Net sales of these products were approximately $100 million in 2012. Reckitt received the right to sell, distribute and market the products through May 2016 and will have certain responsibilities related to regulatory matters in the covered territory. BMS will receive royalties on net sales of the products and will also exclusively supply certain of the products to Reckitt pursuant to a supply agreement at cost plus a markup. Certain limited assets, including the market authorizations and certain employees directly attributed to the business, were transferred to Reckitt at the start of the alliance period. BMS retained ownership of all other assets related to the business including the trademarks covering the products.

BMS also granted Reckitt an option to acquire the trademarks, inventory and certain other assets exclusively related to the products at the end of the alliance period at a price determined based on a multiple of sales (plus the cost of any remaining inventory held by BMS at the time). If the option is not exercised, all assets previously transferred to Reckitt will revert back to BMS. The option may be exercised by Reckitt between May and November 2015, in which case closing would be expected to occur in May 2016.

Non-refundable upfront proceeds of $485 million received by BMS were allocated to two units of accounting, including the rights transferred to Reckitt ($376 million) and the fair value of the option to purchase the remaining assets ($109 million) using the best estimate of the selling price for these elements after considering various market factors. These market factors included an analysis of any estimated excess of the fair value of the business over the potential purchase price if the option is exercised. The fair value of the option was determined using Level 3 inputs and included in other liabilities. Changes in the estimated fair value of the option liability were not significant in 2013. The amount allocated to the rights transferred to Reckitt is amortized as alliance and other revenue over the contractual term. Alliance and other revenue was $116 million in 2013, including product supply and royalties.

The Medicines Company

In February 2013, BMS and The Medicines Company entered into a two-year alliance for *Recothrom*, a recombinant thrombin for use as a topical hemostat to control non-arterial bleeding during surgical procedures (previously acquired by BMS in connection with its acquisition of ZymoGenetics, Inc in 2010). Net product sales of *Recothrom* were $67 million in 2012. The Medicines Company received the right to sell, distribute and market *Recothrom* on a global basis for two years, and will have certain responsibilities related to regulatory matters in the covered territory. BMS will exclusively supply *Recothrom* to The Medicines Company pursuant to a supply agreement at cost plus a markup and will also receive royalties on net sales of *Recothrom*. Certain employees directly attributed to the business and certain assets were transferred to The Medicines Company at the start of the alliance period, including the *Recothrom* Biologics License Application and related regulatory assets. BMS retained all other assets related to *Recothrom* including the patents, trademarks and inventory.

BMS also granted The Medicines Company an option to acquire the patents, trademarks, inventory and certain other assets exclusively related to *Recothrom* at a price determined based on a multiple of sales (plus the cost of any remaining inventory held by BMS at that time). If the option is not exercised, all assets previously transferred to The Medicines Company will revert back to BMS. The option may be exercised by The Medicines Company between February and August 2014, in which case closing would be expected to occur in February 2015.

Non-refundable upfront proceeds of $115 million received by BMS were allocated to two units of accounting, including the rights transferred to The Medicines Company ($80 million) and the fair value of the option to purchase the remaining assets ($35 million) using the best estimate of the selling price for these elements after considering various market factors. These market factors included an analysis of any estimated excess of the fair value of the business over the potential purchase price if the option is exercised. The fair value of the option was determined using Level 3 inputs and included in other liabilities. Changes in the estimated fair value of the option liability were not significant in 2013. The amount allocated to the rights transferred to The Medicines Company is amortized as alliance and other revenue over the contractual term. Alliance and other revenue was $74 million in 2013, including product supply and royalties.

Valeant

In October 2012, BMS and PharmaSwiss SA, a wholly-owned subsidiary of Valeant Pharmaceuticals International Inc. (Valeant) entered into a alliance for certain mature brand products in Europe. Valeant received the right to sell, distribute, and market the products in Europe through December 31, 2014 and will have certain responsibilities related to regulatory matters in the covered territory. During the alliance term, BMS will also exclusively supply the products to Valeant pursuant to a supply agreement at cost plus a markup.

BMS also granted Valeant an option to acquire the trademarks and intellectual property exclusively related to the products at a price determined based on a multiple of sales. If the option is not exercised, all rights transferred to Valeant will revert back to BMS. The option may be exercised by Valeant between January and June 2014, in which case closing would be expected to occur in December 2014.

Non-refundable upfront proceeds of $79 million received by BMS were allocated to two units of accounting, including the rights transferred to Valeant ($61 million) and the fair value of the option to purchase the remaining assets ($18 million) using the best estimate of the selling price for these elements after considering various market factors. These market factors included an analysis of any estimated excess of the fair value of the business over the potential purchase price if the option is exercised. The fair value of the option was determined using Level 3 inputs and included in accrued expenses. Changes in the estimated fair value of the option liability were not significant in 2013 and 2012. The amount allocated to the rights transferred to Valeant is amortized as alliance and other revenue over the contractual term. Alliance and other revenue was $49 million in 2013 and $5 million in 2012, including product supply. Net product sales recognized during a transitional period were $4 million in 2013 and $5 million in 2012.

Note 4 ACQUISITIONS

Amylin Pharmaceuticals, Inc. Acquisition

On August 8, 2012, BMS completed its acquisition of the outstanding shares of Amylin, a biopharmaceutical company focused on the discovery, development and commercialization of innovative medicines to treat diabetes and other metabolic diseases. Acquisition costs of $29 million were included in other expenses.

BMS obtained full U.S. commercialization rights to Amylin's two primary commercialized assets, *Bydureon*, a once-weekly diabetes treatment and *Byetta*, a daily diabetes treatment, both of which are glucagon-like peptide-1 (GLP-1) receptor agonists approved in certain countries to improve glycemic control in adults with type 2 diabetes. BMS also obtained full commercialization rights to *Symlin*, an amylinomimetic approved in the U.S. for adjunctive therapy to mealtime insulin to treat diabetes. Goodwill generated from this acquisition was primarily attributed to the expansion of our diabetes franchise.

IPRD was attributed to metreleptin, an analog of the human hormone leptin being studied and developed for the treatment of diabetes and/or hypertriglyceridemia in pediatric and adult patients with inherited or acquired lipodystrophy. The estimated useful life and the cash flows utilized to value metreleptin assumed initial positive cash flows to commence shortly after the expected receipt of regulatory approvals, subject to trial results.

See "—Note 5 Assets Held-For-Sale" for a discussion of the sale of the Company's diabetes business, including Amylin, to AstraZeneca which comprised our global diabetes alliance with them.

Inhibitex, Inc. Acquisition

On February 13, 2012, BMS completed its acquisition of the outstanding shares of Inhibitex, Inc. (Inhibitex), a clinical-stage biopharmaceutical company focused on developing products to prevent and treat serious infectious diseases. Acquisition costs of $12 million were included in other expense.

BMS obtained Inhibitex's lead asset, INX-189, an oral nucleotide polymerase (NS5B) inhibitor in Phase II development for the treatment of chronic hepatitis C virus infections. Goodwill generated from this acquisition was primarily attributed to the potential to offer a full portfolio of therapy choices for hepatitis virus infections as well as to provide additional levels of sustainability to BMS's virology pipeline.

IPRD was primarily attributed to INX-189. INX-189 was expected to be most effective when used in combination therapy and it was assumed all market participants would inherently maintain franchise synergies attributed to maximizing the cash flows of their existing virology pipeline assets. The cash flows utilized to value INX-189 included such synergies and also assumed initial positive cash flows to commence shortly after the expected receipt of regulatory approvals, subject to trial results.

In August 2012, the Company discontinued development of INX-189 in the interest of patient safety. As a result, the Company recognized a non-cash, pre-tax impairment charge of $1.8 billion related to the IPRD intangible asset in the third quarter of 2012. For further information discussion of the impairment charge, see "—Note 14 Goodwill and Other Intangible Assets."

Amira Pharmaceuticals, Inc. Acquisition

On September 7, 2011, BMS completed its acquisition of the outstanding shares of Amira Pharmaceuticals, Inc. (Amira) for $325 million in cash plus three separate, contingent $50 million payments due upon achievement of certain development and sales-based milestones. The first contingent payment was made in the fourth quarter of 2011. The purchase price of Amira includes the estimated fair value of the total contingent consideration of $58 million, which was recorded in other liabilities. Acquisition costs of $1 million were included in other expense. Amira was a privately-held biotechnology company primarily focused on the discovery and development of therapeutic products for the treatment of cardiovascular and fibrotic inflammatory diseases. The acquisition provides BMS with: 1) full rights to develop and commercialize AM152 which has completed Phase I clinical studies and the remainder of the Amira lysophosphatidic acid 1 receptor antagonist program; 2) researchers with fibrotic expertise; and 3) a pre-clinical autotaxin program. Goodwill generated from the acquisition was primarily attributed to acquired scientific expertise in fibrotic diseases allowing for expansion into a new therapeutic class.

The total consideration transferred and the allocation of the acquisition date fair values of assets acquired and liabilities assumed in the Amylin, Inhibitex, and Amira acquisitions were as follows:

Dollars in Millions	Amylin	Inhibitex	Amira
Identifiable net assets:			
Cash	**$ 179**	$ 46	$ 15
Marketable securities	**108**	17	—
Inventory	**173**	—	—
Property, plant and equipment	**742**	—	—
Developed technology rights	**6,340**	—	—
IPRD	**120**	1,875	160
Other assets	**136**	—	—
Debt obligations	**(2,020)**	(23)	—
Other liabilities	**(339)**	(10)	(16)
Deferred income taxes	**(1,068)**	(579)	(41)
Total identifiable net assets	**4,371**	1,326	118
Goodwill	**847**	1,213	265
Total consideration transferred	**$ 5,218**	$ 2,539	$ 383

Cash paid for the acquisition of Amylin included payments of $5,093 million to its outstanding common stockholders and $219 million to holders of its stock options and restricted stock units (including $94 million attributed to accelerated vesting that was accounted for as stock compensation expense in the third quarter of 2012).

The results of operations and cash flows from acquired companies are included in the consolidated financial statements as of the acquisition date. Pro forma supplemental financial information is not provided as the impacts of the acquisitions were not material to operating results in the year of acquisition. Goodwill, IPRD and all intangible assets valued in these acquisitions are non-deductible for tax purposes.

Note 5 ASSETS HELD-FOR-SALE

In February 2014, BMS sold to AstraZeneca the diabetes business of BMS which comprised our global alliance with them, including all rights and ownership to *Onglyza*, *Forxiga*, *Bydureon*, *Byetta*, *Symlin* and metreleptin. The transaction included the shares of Amylin (previously acquired by BMS in August 2012), and the resulting transfer of its manufacturing facility in West Chester, Ohio; the intellectual property related to *Onglyza* and *Forxiga*; and the future purchase of BMS's manufacturing facility located in Mount Vernon, Indiana no earlier than 18 months following the closing of the transaction. Substantially all employees dedicated to the diabetes business were transferred to AstraZeneca upon the closing of the transaction.

As consideration for the transaction, AstraZeneca paid $2.7 billion to BMS at closing, a $600 million milestone in February 2014 for the approval of *Farxiga* in the U.S., and will make contingent regulatory and sales-based milestone payments of up to $800 million and royalty payments based on net sales through 2025. In addition, AstraZeneca will make payments of up to $225 million if and when certain assets are transferred including the Mount Vernon manufacturing site and the diabetes business in China.

The business was treated as a single disposal group held for sale as of December 31, 2013. No write-down was required as the fair value of the business less costs to sell exceeded the related carrying value. The following assets and liabilities of the diabetes business held-for-sale is presented separately from BMS's other accounts as of December 31, 2013.

Dollars in Millions	December 31, 2013
Assets	
Receivables	$ 83
Inventories	163
Deferred income taxes - current	125
Prepaid expenses and other	20
Property, plant and equipment	678
Goodwill[(a)]	550
Other intangible assets	5,682
Other assets	119
Total assets held-for-sale	7,420
Liabilities	
Short-term borrowings and current portion of long-term debt	27
Accounts payable	30
Accrued expenses	148
Deferred income - current	352
Accrued rebates and returns	81
Deferred income - noncurrent	3,319
Deferred income taxes - noncurrent	946
Other liabilities	28
Total liabilities related to assets held-for-sale	4,931

(a) The allocation of goodwill was based on the relative fair value of the diabetes business (as of December 31, 2013) being divested to the Company's reporting unit.

The stock and asset purchase agreement contains multiple elements that will be delivered subsequent to the closing of the transaction. Each element of the transaction was determined to have standalone value and as a result, a portion of the consideration received at closing will be allocated to the undelivered elements using the relative selling price method including the China diabetes business, the Mount Vernon manufacturing facility, the development agreement and the incremental discount attributed to the supply agreement. The remaining amount of consideration received at closing will be included in the calculation of the estimated net gain on disposal.

All contingent consideration, including royalties and milestone payments, if and when received, will also be allocated to the underlying elements of the transaction on a relative selling price basis. Amounts allocated to the sale of the business will be immediately recognized. Amounts allocated to the other elements will either be recognized immediately or deferred, in whole or in part, to the extent each element has been delivered.

Note 6 OTHER (INCOME)/EXPENSE

Other (income)/expense includes:

	Year Ended December 31,		
Dollars in Millions	**2013**	2012	2011
Interest expense	**$ 199**	$ 182	$ 145
Investment income	**(104)**	(106)	(91)
Provision for restructuring (See Note 7)	**226**	174	116
Litigation charges/(recoveries)	**20**	(45)	6
Equity in net income of affiliates	**(166)**	(183)	(281)
Out-licensed intangible asset impairment	**—**	38	—
Gain on sale of product lines, businesses and assets	**(2)**	(53)	(37)
Other income received from alliance partners, net	**(148)**	(312)	(140)
Pension curtailments and settlements	**165**	158	10
Other	**15**	67	(62)
Other (income)/expense	**$ 205**	$ (80)	$ (334)

Note 7 RESTRUCTURING

The following is the provision for restructuring:

	Year Ended December 31,		
Dollars in Millions	**2013**	2012	2011
Employee termination benefits	**$ 211**	$ 145	$ 85
Other exit costs	**15**	29	31
Provision for restructuring	**$ 226**	$ 174	$ 116

Restructuring charges included termination benefits for workforce reductions of manufacturing, selling, administrative, and research and development personnel across all geographic regions of approximately 1,450 in 2013, 1,205 in 2012 and 822 in 2011.

The following table represents the activity of employee termination and other exit cost liabilities:

	Year Ended December 31,		
Dollars in Millions	**2013**	2012	2011
Liability at January 1	**$ 167**	$ 77	$ 126
Charges	**249**	178	128
Change in estimates	**(23)**	(4)	(12)
Provision for restructuring	**226**	174	116
Foreign currency translation	**4**	(1)	2
Amylin acquisition	**—**	26	—
Liabilities related to assets held-for-sale	**(67)**	—	—
Spending	**(228)**	(109)	(167)
Liability at December 31	**$ 102**	$ 167	$ 77

Note 8 INCOME TAXES

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

Dollars in Millions	Year Ended December 31, 2013	2012	2011
Current:			
U.S.	$ 375	$ 627	$ 864
Non-U.S.	427	442	442
Total Current	802	1,069	1,306
Deferred:			
U.S.	(390)	(1,164)	406
Non-U.S	(101)	(66)	9
Total Deferred	(491)	(1,230)	415
Total Provision/(Benefit)	$ 311	$ (161)	$ 1,721

Effective Tax Rate

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

Dollars in Millions	% of Earnings Before Income Taxes 2013		2012		2011	
Earnings/(Loss) before income taxes:						
U.S.	$ (135)		$ (271)		$ 4,336	
Non-U.S.	3,026		2,611		2,645	
Total	$ 2,891		$ 2,340		$ 6,981	
U.S. statutory rate	1,012	35.0 %	819	35.0 %	2,443	35.0 %
Non-tax deductible annual pharmaceutical company fee	63	2.2 %	90	3.8 %	80	1.2 %
Foreign tax effect of certain operations in Ireland, Puerto Rico and Switzerland	(620)	(21.4)%	(688)	(29.4)%	(593)	(8.5)%
State and local taxes (net of valuation allowance)	25	0.9 %	20	0.9 %	33	0.5 %
U.S. Federal, state and foreign contingent tax matters	134	4.6 %	66	2.8 %	(161)	(2.3)%
U.S. Federal research and development tax credit	(181)	(6.3)%	—	—	(69)	(1.0)%
U.S. tax effect of capital losses	—	—	(392)	(16.7)%	—	—
Foreign and other	(122)	(4.2)%	(76)	(3.3)%	(12)	(0.2)%
	$ 311	10.8 %	$ (161)	(6.9)%	$ 1,721	24.7 %

The change in the 2013 effective tax rate from 2012 was due to:

- A tax benefit in 2012 of $392 million attributable to a capital loss deduction resulting from the tax insolvency of Inhibitex;
- Tax benefits attributable to higher impairment charges in 2012 (including an $1,830 million impairment charge for the BMS-986094 intangible asset in the U.S.); and
- Higher charges from contingent tax matters ($134 million in 2013 and $66 million in 2012)

Partially offset by:

- Favorable earnings mix between high and low tax jurisdictions primarily attributable to lower *Plavix* revenues in 2013 and to a lesser extent the impact of an internal transfer of intellectual property in the fourth quarter of 2012; and
- A favorable impact on the current year rate from the legal enactment of the 2012 and 2013 research and development tax credit during 2013. The retroactive reinstatement of the 2012 research and development tax credit recognized in 2013 was $82 million.

The change in the 2012 effective tax rate from 2011 was due to:

- A tax benefit of $392 million attributable to a capital loss deduction resulting from the tax insolvency of Inhibitex; and
- Favorable earnings mix between high and low tax jurisdictions primarily attributed to lower *Plavix* revenues and a $1,830 million impairment charge for BMS-986094 intangible asset in the U.S. and to a lesser extent, an internal transfer of intellectual property.

Partially offset by:

- Contingent tax matters which resulted in a $66 million charge in 2012 and $161 million benefit in 2011;
- An unfavorable impact on the current year rate from the delay in the legal enactment of the research and development tax credit, which was not extended as of December 31, 2012; and
- Changes in prior period estimates upon finalizing U.S. tax returns resulting in a $54 million benefit in 2011.

Deferred Taxes and Valuation Allowance

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

	December 31,	
Dollars in Millions	**2013**	2012
Deferred tax assets		
Foreign net operating loss carryforwards	**$ 3,892**	$ 3,722
Milestone payments and license fees	**483**	550
Deferred income	**2,168**	2,083
U.S. capital losses	**784**	794
U.S. Federal net operating loss carryforwards	**138**	170
Pension and postretirement benefits	**120**	693
State net operating loss and credit carryforwards	**377**	346
Intercompany profit and other inventory items	**495**	288
U.S. Federal tax credit carryforwards	**23**	31
Other foreign deferred tax assets	**187**	197
Share-based compensation	**107**	111
Legal settlements	**20**	45
Repatriation of foreign earnings	**49**	86
Internal transfer of intellectual property	**223**	—
Other	**357**	344
Total deferred tax assets	**9,423**	9,460
Valuation allowance	**(4,623)**	(4,404)
Net deferred tax assets	**4,800**	5,056
Deferred tax liabilities		
Depreciation	**(148)**	(147)
Acquired intangible assets	**(2,567)**	(2,768)
Other	**(780)**	(734)
Total deferred tax liabilities	**(3,495)**	(3,649)
Deferred tax assets, net	**$ 1,305**	$ 1,407
Recognized as:		
Assets held-for-sale	**$ 125**	$ —
Deferred income taxes – current	**1,701**	1,597
Deferred income taxes – non-current	**508**	203
U.S. and foreign income taxes payable – current	**(10)**	(10)
Liabilities related to assets held-for-sale	**(946)**	—
Deferred income taxes – non-current	**(73)**	(383)
Total	**$ 1,305**	$ 1,407

The U.S. Federal net operating loss carryforwards were $396 million at December 31, 2013. These carryforwards were acquired as a result of certain acquisitions and are subject to limitations under Section 382 of the Internal Revenue Code. The net operating loss carryforwards expire in varying amounts beginning in 2022. The U.S. Federal tax credit carryforwards expire in varying amounts beginning in 2017. The realization of the U.S. Federal tax credit carryforwards is dependent on generating sufficient domestic-sourced taxable income prior to their expiration. The capital loss available of $2,196 million can be carried back to 2009 and carried forward to 2017. The foreign and state net operating loss carryforwards expire in varying amounts beginning in 2014 (certain amounts have unlimited lives).

Management has established a valuation allowance when a deferred tax asset is more likely than not to be realized. At December 31, 2013, a valuation allowance of $4,623 million was established for the following items: $3,849 million primarily for foreign net operating loss and tax credit carryforwards, $378 million for state deferred tax assets including net operating loss and tax credit carryforwards, $13 million for U.S. Federal net operating loss carryforwards and $383 million for U.S. Federal capital losses.

Changes in the valuation allowance were as follows:

	Year Ended December 31,		
Dollars in Millions	**2013**	2012	2011
Balance at beginning of year	**$ 4,404**	$ 3,920	$ 1,863
Provision	**252**	494	2,410
Utilization	**(68)**	(145)	(135)
Foreign currency translation	**40**	39	(222)
Acquisitions	**(5)**	96	4
Balance at end of year	**$ 4,623**	$ 4,404	$ 3,920

Income tax payments were $478 million in 2013, $676 million in 2012 and $597 million in 2011. The current tax benefit realized as a result of stock related compensation credited to capital in excess of par value of stock was $129 million in 2013, $71 million in 2012 and $47 million in 2011.

U.S. taxes have not been provided on approximately $24 billion of undistributed earnings of foreign subsidiaries as these undistributed earnings are indefinitely invested offshore at December 31, 2013. Additional tax provisions will be required if these earnings are repatriated in the future to the U.S. or if such earnings are determined to be remitted in the foreseeable future. Due to complexities in the tax laws and assumptions that would have to be made, it is not practicable to estimate the amounts of income taxes that will have to be provided. As a result, BMS has favorable tax rates in Ireland and Puerto Rico under grants not scheduled to expire prior to 2023.

Business is conducted in various countries throughout the world and is subject to tax in numerous jurisdictions. A significant number of tax returns are filed and subject to examination by various Federal, state and local tax authorities. Tax examinations are often complex, as tax authorities may disagree with the treatment of items reported requiring several years to resolve. Liabilities are established for possible assessments by tax authorities resulting from known tax exposures including, but not limited to, transfer pricing matters, tax credits and deductibility of certain expenses. Such liabilities represent a reasonable provision for taxes ultimately expected to be paid and may need to be adjusted over time as more information becomes known. The effect of changes in estimates related to contingent tax liabilities is included in the effective tax rate reconciliation above.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows:

	Year Ended December 31,		
Dollars in Millions	**2013**	2012	2011
Balance at beginning of year	**$ 642**	$ 628	$ 845
Gross additions to tax positions related to current year	**74**	46	44
Gross additions to tax positions related to prior years	**108**	66	105
Gross additions to tax positions assumed in acquisitions	**—**	31	1
Gross reductions to tax positions related to prior years	**(87)**	(57)	(325)
Settlements	**26**	(54)	(30)
Reductions to tax positions related to lapse of statute	**(8)**	(19)	(7)
Cumulative translation adjustment	**1**	1	(5)
Balance at end of year	**$ 756**	$ 642	$ 628

Additional information regarding unrecognized tax benefits is as follows:

Dollars in Millions	Year Ended December 31, 2013	2012	2011
Unrecognized tax benefits that if recognized would impact the effective tax rate	$ 508	$ 633	$ 570
Accrued interest	83	59	51
Accrued penalties	34	32	25
Interest expense	24	14	10
Penalty expense	3	16	7

Uncertain tax benefits reduce deferred tax assets to the extent the uncertainty directly related to that asset; otherwise, they are recognized as either current or non-current U.S. and foreign income taxes payable. Accrued interest and penalties payable for unrecognized tax benefits are included in either current or non-current U.S. and foreign income taxes payable. Interest and penalties related to unrecognized tax benefits are included in income tax expense.

BMS is currently under examination by a number of tax authorities, including but not limited to the major tax jurisdictions listed in the table below, which have proposed adjustments to tax for issues such as transfer pricing, certain tax credits and the deductibility of certain expenses. BMS estimates that it is reasonably possible that the total amount of unrecognized tax benefits at December 31, 2013 will decrease in the range of approximately $350 million to $400 million in the next twelve months as a result of the settlement of certain tax audits and other events. The expected change in unrecognized tax benefits, primarily settlement related, will involve the payment of additional taxes, the adjustment of certain deferred taxes and/or the recognition of tax benefits. BMS also anticipates that it is reasonably possible that new issues will be raised by tax authorities which may require increases to the balance of unrecognized tax benefits; however, an estimate of such increases cannot reasonably be made at this time. BMS believes that it has adequately provided for all open tax years by tax jurisdiction.

The following is a summary of major tax jurisdictions for which tax authorities may assert additional taxes based upon tax years currently under audit and subsequent years that will likely be audited:

U.S.	2008 to 2013
Canada	2006 to 2013
France	2011 to 2013
Germany	2007 to 2013
Italy	2003 to 2013
Mexico	2006 to 2013

Note 9 EARNINGS PER SHARE

Amounts in Millions, Except Per Share Data	Year Ended December 31, 2013	2012	2011
Net Earnings Attributable to BMS	$ 2,563	$ 1,960	$ 3,709
Earnings attributable to unvested restricted shares	—	(1)	(8)
Net Earnings Attributable to BMS common shareholders	$ 2,563	$ 1,959	$ 3,701
Earnings per share - basic	$ 1.56	$ 1.17	$ 2.18
Weighted-average common shares outstanding - basic	1,644	1,670	1,700
Contingently convertible debt common stock equivalents	1	1	1
Incremental shares attributable to share-based compensation plans	17	17	16
Weighted-average common shares outstanding - diluted	1,662	1,688	1,717
Earnings per share - diluted	$ 1.54	$ 1.16	$ 2.16
Anti-dilutive weighted-average equivalent shares - stock incentive plans	—	2	13

Note 10 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Financial instruments include cash and cash equivalents, marketable securities, accounts receivable and payable, debt instruments and derivatives.

Changes in exchange rates and interest rates create exposure to market risk. Certain derivative financial instruments are used when available on a cost-effective basis to hedge the underlying economic exposure. These instruments qualify as cash flow, net investment and fair value hedges upon meeting certain criteria, including effectiveness of offsetting hedged exposures. Changes in fair value of derivatives that do not qualify for hedge accounting are recognized in earnings as they occur. Derivative financial instruments are not used for trading purposes.

Financial instruments are subject to counterparty credit risk which is considered as part of the overall fair value measurement. Counterparty credit risk is monitored on an ongoing basis and mitigated by limiting amounts outstanding with any individual counterparty, utilizing conventional derivative financial instruments and only entering into agreements with counterparties that meet high credit quality standards. The consolidated financial statements would not be materially impacted if any counterparty failed to perform according to the terms of its agreement. Collateral is not required by any party whether derivatives are in an asset or liability position under the terms of the agreements.

Fair Value Measurements – The fair values of financial instruments are classified into one of the following categories:

Level 1 inputs utilize non-binding quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. These instruments include U.S. treasury securities.

Level 2 inputs utilize observable prices for similar instruments, non-binding quoted prices for identical or similar instruments in markets that are not active, and other observable inputs that can be corroborated by market data for substantially the full term of the assets or liabilities. These instruments include corporate debt securities, certificates of deposit, money market funds, foreign currency forward contracts, interest rate swap contracts, equity funds, fixed income funds and long-term debt. Additionally, certain corporate debt securities utilize a third-party matrix pricing model that uses significant inputs corroborated by market data for substantially the full term of the assets. Equity and fixed income funds are primarily invested in publicly traded securities and are valued at the respective net asset value of the underlying investments. There were no significant unfunded commitments or restrictions on redemptions related to equity and fixed income funds as of December 31, 2013. Level 2 derivative instruments are valued using London Interbank Offered Rate (LIBOR) yield curves, less credit valuation adjustments, and observable forward foreign exchange rates at the reporting date. Valuations of derivative contracts may fluctuate considerably from period-to-period due to volatility in underlying foreign currencies and underlying interest rates, which are driven by market conditions and the duration of the contract. Credit adjustment volatility may have a significant impact on the valuation of interest rate swaps due to changes in counterparty credit ratings and credit default swap spreads.

Level 3 unobservable inputs are used when little or no market data is available. The fair value of written options to sell the assets of certain businesses in connection with alliance agreements (see “—Note 3 Alliances” for further discussion) is based on an option pricing methodology that considers revenue and profitability projections, volatility, discount rates, and potential exercise price assumptions.The fair value of contingent consideration related to an acquisition (See "—Note 4 Acquisitions") was estimated utilizing a model that considered the probability of achieving each milestone and discount rates. Valuation models for the Auction Rate Security (ARS) and Floating Rate Security (FRS) portfolio are based on expected cash flow streams and collateral values including assessments of counterparty credit quality, default risk underlying the security, discount rates and overall capital market liquidity. The fair value of the ARS and FRS was not material at December 31, 2013 and 2012.

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

Dollars in Millions	December 31, 2013 Level 1	Level 2	Level 3	Total	December 31, 2012 Level 1	Level 2	Level 3	Total
Cash and cash equivalents - Money market and other securities	$ —	$ 3,201	$ —	$ 3,201	$ —	$ 1,288	$ —	$ 1,288
Marketable securities								
Certificates of deposit	—	122	—	122	—	34	—	34
Corporate debt securities	—	4,432	—	4,432	—	4,377	—	4,377
U.S. Treasury securities	—	—	—	—	150	—	—	150
Equity funds	—	74	—	74	—	57	—	57
Fixed income funds	—	46	—	46	—	47	—	47
ARS and FRS	—	—	12	12	—	—	31	31
Derivative assets:								
Interest rate swap contracts	—	64	—	64	—	146	—	146
Foreign currency forward contracts	—	50	—	50	—	59	—	59
Derivative liabilities:								
Interest rate swap contracts	—	(27)	—	(27)	—	—	—	—
Foreign currency forward contracts	—	(35)	—	(35)	—	(30)	—	(30)
Written option liabilities[a]	—	—	(162)	(162)	—	—	(18)	(18)
Contingent consideration liability[b]	—	—	(8)	(8)	—	—	(8)	(8)

(a) Written option liabilities of $18 million and $144 million are included in accrued expenses and other liabilities, respectively. See "Note 3 Alliances" for further information.
(b) The contingent consideration liability is included in other liabilities. See "Note 4 Acquisitions" for further information.

The following table summarizes the activity the financial assets utilizing Level 3 fair value measurements:

Dollars in Millions	2013 Written option liabilities	Contingent consideration liability	ARS and FRS	2012 Written option liabilities	Contingent consideration liability	ARS and FRS
Fair value at January 1	$ (18)	$ (8)	$ 31	$ —	$ (8)	$ 110
Additions from new alliances	(144)	—	—	(18)	—	—
Unrealized gains	—	—	1	—	—	2
Sales	—	—	(20)	—	—	(81)
Fair value at December 31	$ (162)	$ (8)	$ 12	$ (18)	$ (8)	$ 31

Available-for-sale Securities

The following table summarizes available-for-sale securities:

Dollars in Millions	Amortized Cost	Gross Unrealized Gain in Accumulated OCI	Gross Unrealized Loss in Accumulated OCI	Fair Value
December 31, 2013				
Certificates of deposit	$ 122	$ —	$ —	$ 122
Corporate debt securities	4,401	44	(13)	4,432
ARS	9	3	—	12
Total	4,532	47	(13)	4,566
December 31, 2012				
Certificates of deposit	$ 34	$ —	$ —	$ 34
Corporate debt securities	4,305	72	—	4,377
U.S. Treasury securities	150	—	—	150
ARS and FRS	29	3	(1)	31
Total	4,518	75	(1)	4,592

Available-for-sale securities included in current marketable securities were $819 million at December 31, 2013. Non-current available-for-sale corporate debt securities maturing within five years were $3,735 million at December 31, 2013. Auction rate securities maturing beyond 10 years were $12 million at December 31, 2013.

Fair Value Option for Financial Assets

The Company invests in equity and fixed income funds that are designed to offset the changes in fair value of certain employee retirement benefits. Investments in equity and fixed income funds are included in current marketable securities and were $74 million and $46 million, respectively, at December 31, 2013 and $57 million and $47 million, respectively, at December 31, 2012. Investment income resulting from the change in fair value for the investments in equity and fixed income funds was $14 million in 2013 and $5 million in 2012.

Qualifying Hedges

The following summarizes the fair value of outstanding derivatives:

		December 31, 2013		December 31, 2012	
Dollars in Millions	Balance Sheet Location	Notional	Fair Value	Notional	Fair Value
Derivatives designated as hedging instruments:					
Interest rate swap contracts	Other assets	$ 673	$ 64	$ 573	$ 146
Interest rate swap contracts	Other liabilities	1,950	(27)	—	—
Foreign currency forward contracts	Prepaid expenses and other	301	44	—	—
Foreign currency forward contracts	Other assets	100	6	735	59
Foreign currency forward contracts	Accrued expenses	704	(31)	916	(30)
Foreign currency forward contracts	Other liabilities	263	(4)	—	—

Cash Flow Hedges — Foreign currency forward contracts are primarily utilized to hedge forecasted intercompany inventory purchase transactions in certain foreign currencies. These forward contracts are designated as cash flow hedges with the effective portion of changes in fair value being temporarily reported in accumulated OCI and recognized in earnings when the hedged item affects earnings. The net gains on foreign currency forward contracts are expected to be reclassified to cost of products sold within the next two years, including $14 million of pre-tax gains to be reclassified within the next 12 months. The notional amount of outstanding foreign currency forward contracts was primarily attributed to the Euro ($780 million) and Japanese yen ($247 million) at December 31, 2013.

Cash flow hedge accounting is discontinued when the forecasted transaction is no longer probable of occurring on the originally forecasted date, or 60 days thereafter, or when the hedge is no longer effective. Assessments to determine whether derivatives designated as qualifying hedges are highly effective in offsetting changes in the cash flows of hedged items are performed at inception and on a quarterly basis. Any ineffective portion of the change in fair value is included in current period earnings. The earnings impact related to discontinued cash flow hedges and hedge ineffectiveness was not significant during all periods presented.

Net Investment Hedges — Non-U.S. dollar borrowings of €541 million ($741 million) are designated to hedge the foreign currency exposures of the net investment in certain foreign affiliates. These borrowings are designated as net investment hedges and recognized in long term debt. The effective portion of foreign exchange gains or losses on the remeasurement of the debt is recognized in the foreign currency translation component of accumulated OCI with the related offset in long term debt.

Fair Value Hedges — Fixed-to-floating interest rate swap contracts are designated as fair value hedges and are used as part of an interest rate risk management strategy to create an appropriate balance of fixed and floating rate debt. The swaps and underlying debt for the benchmark risk being hedged are recorded at fair value. The effective interest rate paid on fixed-to-floating interest rate swaps is one-month LIBOR (0.17% as of December 31, 2013) plus an interest rate spread ranging from (0.8)% to 4.4%. When the underlying swap is terminated prior to maturity, the fair value basis adjustment to the underlying debt instrument is amortized into earnings as a reduction to interest expense over the remaining life of the debt.

Fixed-to-floating interest rate swap contracts were executed in 2013 to convert $2,050 million notional amount from fixed rate to variable rate debt.

During 2011, fixed-to-floating interest rate swap contracts of $1.6 billion notional amount and €1.0 billion notional amount were terminated generating total proceeds of $356 million (including accrued interest of $66 million).

Debt Obligations

Short-term borrowings and the current portion of long-term debt includes:

Dollars in Millions	December 31, 2013	2012
Bank drafts and short-term borrowings	$ 359	$ 162
Current portion of long-term debt	—	664
Total	$ 359	$ 826

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

Dollars in Millions	December 31, 2013	2012
Principal Value:		
5.25% Notes due 2013	$ —	$ 597
4.375% Euro Notes due 2016	684	659
0.875% Notes due 2017	750	750
5.45% Notes due 2018	582	582
1.75% Notes due 2019	500	—
4.625% Euro Notes due 2021	684	659
2.000% Notes due 2022	750	750
7.15% Debentures due 2023	304	304
3.250% Notes due 2023	500	—
6.80% Debentures due 2026	330	330
5.875% Notes due 2036	625	625
6.125% Notes due 2038	480	480
3.250% Notes due 2042	500	500
4.500% Notes due 2044	500	—
6.88% Debentures due 2097	260	260
0% - 5.75% Other - maturing 2014 - 2030	144	135
Subtotal	7,593	6,631
Adjustments to Principal Value:		
Fair value of interest rate swap contracts	37	146
Unamortized basis adjustment from swap terminations	442	509
Unamortized bond discounts	(64)	(54)
Total	$ 8,008	$ 7,232
Current portion of long-term debt[(a)]	$ 27	$ 664
Long-term debt	7,981	6,568

(a) Included in liabilities related to assets held-for-sale at December 31, 2013.

Included in other debt is $49 million of Floating Rate Convertible Senior Debentures due 2023 which can be redeemed by the holders at par on September 15, 2018 or if a fundamental change in ownership occurs. The Debentures are callable at par at any time by the Company. The Debentures have a current conversion price of $39.58, equal to a conversion rate of 25.2623 shares for each $1,000 principal amount, subject to certain anti-dilutive adjustments.

The average amount of commercial paper outstanding was $259 million at a weighted-average interest rate of 0.12% during 2013. The maximum month end amount of commercial paper outstanding was $820 million with no outstanding borrowings at December 31, 2013.

During the fourth quarter of 2013, $1.5 billion of senior unsecured notes were issued: $500 million in aggregate principal amount of 1.750% Notes due 2019, $500 million in aggregate principal amount of 3.250% Notes due 2023 and $500 million in aggregate principal amount of 4.500% Notes due 2044 in a registered public offering . Interest on the notes will be paid semi-annually. The notes rank equally in right of payment with all of BMS's existing and future senior unsecured indebtedness. BMS may redeem the notes, in whole or in part, at any time at a predetermined redemption price. The net proceeds of the note issuances were $1,477 million, which is net of a discount of $12 million and deferred loan issuance costs of $11 million.

During the third quarter of 2012, $2.0 billion of senior unsecured notes were issued: $750 million in aggregate principal amount of 0.875% Notes due 2017, $750 million in aggregate principal amount of 2.000% Notes due 2022 and $500 million in aggregate principal amount of 3.250% Notes due 2042 in a registered public offering. Interest on the notes will be paid semi-annually. The notes rank equally in right of payment with all of BMS's existing and future senior unsecured indebtedness. BMS may redeem the notes, in whole or in part, at any time at a predetermined redemption price. The net proceeds of the note issuances were $1,950 million, which is net of a discount of $36 million and deferred loan issuance costs of $14 million.

The $597 million principal amount of 5.25% Notes Due 2013 matured and was repaid in the third quarter of 2013. Substantially all of the $2.0 billion debt obligations assumed in the acquisition of Amylin were repaid during the third quarter of 2012, including a promissory note with Lilly with respect to a revenue sharing obligation and Amylin senior notes due 2014. In January 2014, notices were provided to the holders of the 5.45% Notes due 2018 that BMS will exercise its call option to redeem the notes in their entirety in February 2014. The outstanding principal amount of the notes is $582 million.

The principal value of long-term debt obligations was $7,593 million at December 31, 2013, of which $27 million is due in 2014, $684 million is due in 2016, $750 million is due in 2017, $631 million is due in 2018 and the remaining $5,501 million is due in 2019 or thereafter. The fair value of long-term debt was $8,487 million and $8,285 million at December 31, 2013 and 2012, respectively, and was estimated based upon the quoted market prices for the same or similar debt instruments. The fair value of short-term borrowings approximates the carrying value due to the short maturities of the debt instruments.

There were no debt repurchases in 2013. Debt repurchase activity for 2012 and 2011, including repayment of the Amylin debt obligations, was as follows:

Dollars in Millions	2012	2011
Principal amount	$ 2,052	$ 71
Carrying value	2,081	88
Repurchase price	2,108	78
Notional amount of interest rate swap contracts terminated	6	34
Swap termination proceeds	2	6
Total loss/(gain)	27	(10)

Interest payments were $268 million in 2013, $241 million in 2012 and $171 million in 2011 net of amounts related to interest rate swap contracts.

BMS has two separate $1.5 billion five-year revolving credit facilities from a syndicate of lenders. The facilities provide for customary terms and conditions with no financial covenants and are extendable on any anniversary date with the consent of the lenders. No borrowings were outstanding under either revolving credit facility at December 31, 2013 or 2012.

At December 31, 2013, $633 million of financial guarantees were provided in the form of stand-by letters of credit and performance bonds. The stand-by letters of credit are issued through financial institutions in support of guarantees made by BMS and its affiliates for various obligations. The performance bonds were issued to support a range of ongoing operating activities, including sale of products to hospitals and foreign ministries of health, bonds for customs, duties and value added tax and guarantees related to miscellaneous legal actions. A significant majority of the outstanding financial guarantees will expire within the year and are not expected to be funded.

Note 11 RECEIVABLES

Receivables include:

	December 31,	
Dollars in Millions	**2013**	2012
Trade receivables	**$ 1,779**	$ 1,812
Less allowances	**(89)**	(104)
Net trade receivables	**1,690**	1,708
Alliance partners receivables	**1,122**	857
Prepaid and refundable income taxes	**262**	319
Miscellaneous receivables	**286**	199
Receivables	**$ 3,360**	$ 3,083

Non-U.S. receivables sold on a nonrecourse basis were $1,031 million in 2013, $956 million in 2012, and $1,077 million in 2011. In the aggregate, receivables from three pharmaceutical wholesalers in the U.S. represented 40% and 37% of total trade receivables at December 31, 2013 and 2012, respectively.

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

	Year Ended December 31,		
Dollars in Millions	**2013**	2012	2011
Balance at beginning of year	**$ 104**	$ 147	$ 107
Provision	**720**	832	1,094
Utilization	**(731)**	(875)	(1,054)
Assets held-for-sale	**(4)**	—	—
Balance at end of year	**$ 89**	$ 104	$ 147

Note 12 INVENTORIES

Inventories include:

	December 31,	
Dollars in Millions	**2013**	2012
Finished goods	**$ 491**	$ 572
Work in process	**757**	814
Raw and packaging materials	**250**	271
Inventories	**$ 1,498**	$ 1,657

Inventories expected to remain on-hand beyond one year are included in other assets and were $351 million at December 31, 2013 and $424 million at December 31, 2012.

Note 13 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment includes:

	December 31,	
Dollars in Millions	**2013**	2012
Land	**$ 109**	$ 114
Buildings	**4,748**	4,963
Machinery, equipment and fixtures	**3,699**	3,695
Construction in progress	**287**	611
Gross property, plant and equipment	**8,843**	9,383
Less accumulated depreciation	**(4,264)**	(4,050)
Property, plant and equipment	**$ 4,579**	$ 5,333

Property, plant and equipment related to the Mount Vernon, Indiana manufacturing facility was approximately $300 million as of December 31, 2013. The facility is expected to be sold no earlier than 18 months following the closing of the diabetes business transaction. It was not included in assets held-for-sale because the assets were not available for immediate sale in their present condition and are not expected to be sold within a year. See "—Note 3 Alliances" for further discussion on the sale of the diabetes business.

Depreciation expense was $453 million in 2013, $382 million in 2012 and $448 million in 2011.

Note 14 GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of goodwill were as follows:

Dollars in Millions	December 31, 2013	2012
Carrying amount of goodwill at January 1	$ 7,635	$ 5,586
Acquisitions:		
Inhibitex	—	1,213
Amylin	11	836
Assets held-for-sale	(550)	—
Carrying amount of goodwill at December 31	$ 7,096	$ 7,635

In the first quarter of 2013, the purchase price allocation was finalized for the Amylin acquisition resulting in an $11 million adjustment to goodwill and deferred income taxes. Goodwill of $550 million was allocated to the sale of the diabetes business and included in assets held-for-sale. See"—Note 5 Assets Held-For-Sale" for further discussion.

Other intangible assets include:

Dollars in Millions	Estimated Useful Lives	December 31, 2013 Gross Carrying Amount	December 31, 2013 Accumulated Amortization	December 31, 2013 Net Carrying Amount	December 31, 2012 Gross Carrying Amount	December 31, 2012 Accumulated Amortization	December 31, 2012 Net Carrying Amount
Licenses	5 – 15 years	$ 1,162	$ 637	$ 525	$ 1,160	$ 534	$ 626
Developed technology rights	9 – 15 years	2,486	1,482	1,004	8,827	1,604	7,223
Capitalized software	3 – 10 years	1,240	999	241	1,200	939	261
Total finite-lived intangible assets		4,888	3,118	1,770	11,187	3,077	8,110
IPRD		548	—	548	668	—	668
Total other intangible assets		$ 5,436	$ 3,118	$ 2,318	$ 11,855	$ 3,077	$ 8,778

Changes in other intangible assets were as follows:

Dollars in Millions	2013	2012	2011
Other intangible assets carrying amount at January 1	$ 8,778	$ 3,124	$ 3,370
Capitalized software and other additions	80	60	75
Acquisitions	—	8,335	160
Amortization expense	(858)	(607)	(353)
Impairment charges	—	(2,134)	(30)
Assets held-for-sale	(5,682)	—	—
Other	—	—	(98)
Other intangible assets, net carrying amount at December 31	$ 2,318	$ 8,778	$ 3,124

Developed technology rights of $5,562 million and IPRD of $120 million related to the sale of the diabetes business were reclassified to assets held-for-sale as of December 31, 2013. See "—Note 5 Assets Held-For-Sale" for further discussion.

Annual amortization expense of other intangible assets is expected to be approximately $300 million in 2014, $200 million in 2015, $200 million in 2016, $200 million in 2017, $150 million in 2018 and $720 million thereafter.

BMS announced the discontinued development of BMS-986094 (formerly known as INX-189), a nucleotide polymerase (NS5B) inhibitor that was in Phase II development for the treatment of the hepatitis C virus infection in August 2012. The decision was made in the interest of patient safety, based on a rapid, thorough and ongoing assessment of patients in a Phase II study that was voluntarily suspended on August 2012. BMS acquired BMS-986094 with its acquisition of Inhibitex in February 2012. As a result of the termination of this development program, a $1,830 million pre-tax impairment charge was recognized for the IPRD intangible asset.

An impairment charge of $120 million was recognized in 2012 related to continued competitive pricing pressures and a partial write-down to fair value of developed technology rights related to a previously acquired non-key product.

Note 15 ACCRUED EXPENSES

Accrued expenses include:

Dollars in Millions	December 31, 2013	2012
Employee compensation and benefits	$ 735	$ 844
Royalties	173	152
Accrued research and development	380	418
Restructuring - current	73	120
Pension and postretirement benefits	47	49
Accrued litigation	65	162
Other	679	828
Total accrued expenses	$ 2,152	$ 2,573

Note 16 SALES REBATES AND RETURN ACCRUALS

Reductions to trade receivables and accrued rebates and returns liabilities are as follows:

Dollars in Millions	December 31, 2013	2012
Charge-backs related to government programs	$ 37	$ 41
Cash discounts	12	13
Reductions to trade receivables	$ 49	$ 54
Managed healthcare rebates and other contract discounts	$ 147	$ 175
Medicaid rebates	227	351
Sales returns	279	345
Other adjustments	236	183
Accrued rebates and returns	$ 889	$ 1,054

Note 17 DEFERRED INCOME

Deferred income includes:

Dollars in Millions	December 31, 2013	2012
Upfront, milestone and other licensing receipts	$ 970	$ 4,346
Atripla deferred revenue	468	339
Gain on sale-leaseback transactions	71	99
Other	16	65
Total deferred income	$ 1,525	$ 4,849
Current portion	$ 756	$ 825
Non-current portion	769	4,024

Upfront, milestone and other licensing receipts are amortized over the expected life of the product. For further information pertaining to upfront, milestone and other licensing receipts and deferred revenue related to *Atripla*, see"—Note 3 Alliances". Deferred gains on several sale-leaseback transactions are amortized over the remaining lease terms of the related facilities through 2018. Amortization of deferred income was $548 million in 2013, $308 million in 2012 and $173 million in 2011.

Deferred income of $3,671 million was included in liabilities related to assets held-for-sale at December 31, 2013. See"—Note 5 Assets Held-For-Sale" for further discussion.

Note 18 EQUITY

Dollars and Shares in Millions	Common Stock Shares	Common Stock Par Value	Capital in Excess of Par Value of Stock	Retained Earnings	Treasury Stock Shares	Treasury Stock Cost	Noncontrolling Interest
Balance at January 1, 2011	2,205	$ 220	$ 3,682	$ 31,636	501	$ (17,454)	$ (75)
Net earnings	—	—	—	3,709	—	—	2,333
Cash dividends declared	—	—	—	(2,276)	—	—	—
Stock repurchase program	—	—	—	—	42	(1,226)	—
Employee stock compensation plans	—	—	(568)	—	(28)	1,278	—
Other comprehensive income attributable to noncontrolling interest	—	—	—	—	—	—	7
Distributions	—	—	—	—	—	—	(2,354)
Balance at December 31, 2011	2,205	220	3,114	33,069	515	(17,402)	(89)
Net earnings	—	—	—	1,960	—	—	850
Cash dividends declared	—	—	—	(2,296)	—	—	—
Stock repurchase program	—	—	—	—	73	(2,407)	—
Employee stock compensation plans	3	1	(420)	—	(18)	986	—
Other comprehensive income attributable to noncontrolling interest	—	—	—	—	—	—	(6)
Distributions	—	—	—	—	—	—	(740)
Balance at December 31, 2012	2,208	221	2,694	32,733	570	(18,823)	15
Net earnings	—	—	—	2,563	—	—	38
Cash dividends declared	—	—	—	(2,344)	—	—	—
Stock repurchase program	—	—	—	—	11	(413)	—
Employee stock compensation plans	—	—	(772)	—	(22)	1,436	—
Distributions	—	—	—	—	—	—	29
Balance at December 31, 2013	2,208	$ 221	$ 1,922	$ 32,952	559	$ (17,800)	$ 82

Treasury stock is recognized at the cost to reacquire the shares. Shares issued from treasury are recognized utilizing the first-in first-out method.

In May 2010, the Board of Directors authorized the repurchase of up to $3.0 billion of common stock. In June 2012, the Board of Directors increased its authorization for the repurchase of stock by an additional $3.0 billion. The repurchase program does not have an expiration date and we may consider future repurchases.

Noncontrolling interest is primarily related to the *Plavix* and *Avapro*/*Avalide* partnerships with Sanofi for the territory covering the Americas. Net earnings attributable to noncontrolling interest are presented net of taxes of $20 million in 2013, $317 million in 2012 and $792 million in 2011 with a corresponding increase to the provision for income taxes. Distribution of the partnership profits to Sanofi and Sanofi's funding of ongoing partnership operations occur on a routine basis. The above activity includes the pre-tax income and distributions related to these partnerships.

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

Dollars in Millions	Pretax	Tax	After Tax
2011			
Derivatives qualifying as cash flow hedges:[a]			
Unrealized gains	$ 28	$ (4)	$ 24
Reclassified to net earnings	52	(20)	32
Derivatives qualifying as cash flow hedges	80	(24)	56
Pension and other postretirement benefits:			
Actuarial losses	(1,251)	421	(830)
Amortization[b]	115	(34)	81
Settlements and curtailments[c]	11	(4)	7
Pension and other postretirement benefits	(1,125)	383	(742)
Available for sale securities, unrealized gains	35	(7)	28
Foreign currency translation	(16)	—	(16)
	$ (1,026)	$ 352	$ (674)
2012			
Derivatives qualifying as cash flow hedges:[a]			
Unrealized gains	$ 26	$ (17)	$ 9
Reclassified to net earnings	(56)	20	(36)
Derivatives qualifying as cash flow hedges	(30)	3	(27)
Pension and other postretirement benefits:			
Actuarial losses	(432)	121	(311)
Amortization[b]	133	(43)	90
Settlements and curtailments[c]	159	(56)	103
Pension and other postretirement benefits	(140)	22	(118)
Available for sale securities:			
Unrealized gains	20	(8)	12
Realized gains[d]	(11)	2	(9)
Available for sale securities	9	(6)	3
Foreign currency translation	(15)	—	(15)
	$ (176)	$ 19	$ (157)
2013			
Derivatives qualifying as cash flow hedges:[a]			
Unrealized gains	$ 58	$ (17)	$ 41
Reclassified to net earnings	(56)	22	(34)
Derivatives qualifying as cash flow hedges	2	5	7
Pension and other postretirement benefits:			
Actuarial gains	1,475	(504)	971
Amortization[b]	129	(43)	86
Settlements[c]	165	(56)	109
Pension and other postretirement benefits	1,769	(603)	1,166
Available for sale securities:			
Unrealized losses	(35)	3	(32)
Realized gains[d]	(8)	3	(5)
Available for sale securities	(43)	6	(37)
Foreign currency translation	(75)	—	(75)
	$ 1,653	$ (592)	$ 1,061

(a) Reclassifications to net earnings of derivatives qualifying as effective hedges are recognized in costs of products sold.
(b) Actuarial losses and prior service cost/(credits) are amortized into cost of products sold, research and development, and marketing, selling and administrative expenses.
(c) Pension settlements and curtailments are recognized in other (income)/expense.
(d) Realized (gains)/losses on available for sale securities are recognized in other (income)/expense.

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

Dollars in Millions	December 31, 2013	2012
Derivatives qualifying as cash flow hedges	**$ 16**	$ 9
Pension and other postretirement benefits	**(1,857)**	(3,023)
Available for sale securities	**28**	65
Foreign currency translation	**(328)**	(253)
Accumulated other comprehensive income/(loss)	**$ (2,141)**	$ (3,202)

Note 19 PENSION, POSTRETIREMENT AND POSTEMPLOYMENT LIABILITIES

The Company and certain of its subsidiaries sponsor defined benefit pension plans, defined contribution plans and termination indemnity plans for regular full-time employees. The principal defined benefit pension plan is the Bristol-Myers Squibb Retirement Income Plan, which covers most U.S. employees and represents approximately 71% and 64% of the consolidated pension plan assets and obligations respectively. The funding policy is to contribute at least the minimum amount required by the Employee Retirement Income Security Act of 1974 (ERISA). Plan benefits are based primarily on the participant's years of credited service and final average compensation. Plan assets consist principally of equity and fixed-income securities.

Comprehensive medical and group life benefits are provided for substantially all U.S. retirees who elect to participate in comprehensive medical and group life plans. The medical plan is contributory. Contributions are adjusted periodically and vary by date of retirement. The life insurance plan is noncontributory. Plan assets consist principally of equity and fixed-income securities. Similar plans exist for employees in certain countries outside of the U.S.

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

Dollars in Millions	Pension Benefits			Other Benefits		
	2013	2012	2011	**2013**	2012	2011
Service cost — benefits earned during the year	**$ 38**	$ 32	$ 43	**$ 8**	$ 8	$ 8
Interest cost on projected benefit obligation	**302**	319	337	**13**	22	26
Expected return on plan assets	**(519)**	(508)	(464)	**(26)**	(25)	(26)
Amortization of prior service credits	**(4)**	(3)	(1)	**(2)**	(2)	(3)
Amortization of net actuarial loss	**134**	129	112	**1**	10	7
Curtailments	**—**	(1)	(3)	**—**	—	(1)
Settlements	**165**	160	15	**—**	—	—
Total net periodic benefit (credit)/cost	**$ 116**	$ 128	$ 39	**$ (6)**	$ 13	$ 11

Pension settlement charges were recognized after determining the annual lump sum payments will exceed the annual interest and service costs for certain pension plans, including the primary U.S. pension plan in 2013 and 2012.

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

	Pension Benefits		Other Benefits	
Dollars in Millions	2013	2012	2013	2012
Benefit obligations at beginning of year	$ 8,200	$ 7,499	$ 460	$ 582
Service cost—benefits earned during the year	38	32	8	8
Interest cost	302	319	13	22
Plan participants' contributions	2	2	23	24
Curtailments	—	(19)	—	—
Settlements	(350)	(260)	—	—
Plan amendments	(1)	(8)	—	—
Actuarial losses/(gains)	(761)	838	(43)	(107)
Retiree Drug Subsidy	—	—	6	6
Benefits paid	(206)	(227)	(63)	(76)
Exchange rate losses	9	24	—	1
Benefit obligations at end of year	$ 7,233	$ 8,200	$ 404	$ 460
Fair value of plan assets at beginning of year	$ 6,542	$ 5,842	$ 311	$ 305
Actual return on plan assets	1,154	761	61	41
Employer contributions	251	396	9	11
Plan participants' contributions	2	2	23	24
Settlements	(350)	(260)	—	—
Retiree Drug Subsidy	—	—	6	6
Benefits paid	(206)	(227)	(63)	(76)
Exchange rate gains	13	28	—	—
Fair value of plan assets at end of year	$ 7,406	$ 6,542	$ 347	$ 311
Funded status	$ 173	$ (1,658)	$ (57)	$ (149)
Assets/(Liabilities) recognized:				
Other assets	$ 731	$ 22	$ 87	$ 12
Accrued expenses	(35)	(37)	(12)	(12)
Pension and other postretirement liabilities	(523)	(1,643)	(132)	(149)
Funded status	$ 173	$ (1,658)	$ (57)	$ (149)
Recognized in accumulated other comprehensive loss:				
Net actuarial losses/(gains)	$ 2,878	$ 4,572	$ (44)	$ 34
Net obligation at adoption	—	1	—	—
Prior service credit	(41)	(44)	(4)	(6)
Total	$ 2,837	$ 4,529	$ (48)	$ 28

The accumulated benefit obligation for all defined benefit pension plans was $7,125 million and $8,068 million at December 31, 2013 and 2012, respectively.

Additional information related to pension plans was as follows:

Dollars in Millions	2013	2012
Pension plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligation	$ 1,291	$ 8,112
Fair value of plan assets	732	6,432
Pension plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligation	$ 1,101	$ 7,987
Fair value of plan assets	608	6,432

Actuarial Assumptions

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

	Pension Benefits		Other Benefits	
	2013	2012	**2013**	2012
Discount rate	**4.4%**	3.7%	**3.8%**	3.0%
Rate of compensation increase	**2.3%**	2.3%	**2.1%**	2.0%

Weighted-average actuarial assumptions used to determine net periodic benefit (credit)/cost for the years ended December 31 were as follows:

	Pension Benefits			Other Benefits		
	2013	2012	2011	**2013**	2012	2011
Discount rate	**4.1%**	4.4%	5.2%	**3.0%**	4.1%	4.8%
Expected long-term return on plan assets	**8.0%**	8.2%	8.3%	**8.8%**	8.8%	8.8%
Rate of compensation increase	**2.3%**	2.3%	2.4%	**2.1%**	2.0%	2.0%

The yield on high quality corporate bonds that matches the duration of the benefit obligations is used in determining the discount rate. The Citigroup Pension Discount curve is used in developing the discount rate for the U.S. plans.

Several factors are considered in developing the expected return on plan assets, including long-term historical returns and input from external advisors. Individual asset class return forecasts were developed based upon market conditions, for example, price-earnings levels and yields and long-term growth expectations. The expected long-term rate of return is the weighted-average of the target asset allocation of each individual asset class. Historical long-term actual annualized returns for U.S. pension plans were as follows:

	2013	2012	2011
10 years	**8.0%**	8.5%	5.6%
15 years	**6.8%**	6.5%	7.0%
20 years	**8.8%**	8.5%	8.1%

The accumulated other comprehensive loss was reduced by $1,475 million during 2013 as a result of actuarial gains attributed to the benefit obligation ($805 million) and higher than expected return on plan assets ($670 million). These actuarial gains resulted from prevailing equity and fixed income market conditions and an increase in interest rates in 2013.

The expected return on plan assets was determined using the expected rate of return and a calculated value of assets, referred to as the "market-related value". The fair value of plan assets exceeded the market-related value by $455 million at December 31, 2013. Differences between the assumed and actual returns are amortized to the market-related value on a straight-line basis over a three-year period.

Gains and losses have resulted from changes in actuarial assumptions (such as changes in the discount rate) and from differences between assumed and actual experience (such as differences between actual and expected return on plan assets). These gains and losses (except those differences being amortized to the market-related value) are only amortized to the extent they exceed 10% of the higher of the market-related value or the projected benefit obligation for each respective plan. The majority of the remaining actuarial losses are amortized over the life expectancy of the plans' participants for U.S. plans (28 years) and expected remaining service periods for most other plans into cost of products sold, research and development, and marketing, selling and administrative expenses. The amortization of net actuarial loss and prior service credit is expected to be approximately $100 million in 2014.

Assumed healthcare cost trend rates at December 31 were as follows:

	2013	2012	2011
Healthcare cost trend rate assumed for next year	**6.4%**	6.8%	7.4%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	**4.5%**	4.5%	4.5%
Year that the rate reaches the ultimate trend rate	**2019**	2018	2018

Assumed healthcare cost trend rates have an effect on the amounts reported for the healthcare plans. A one-percentage-point change in assumed healthcare cost trend rates would not have a material impact on the service and interest cost or post retirement benefit obligation.

Plan Assets

The fair value of pension and postretirement plan assets by asset category at December 31, 2013 and 2012 was as follows:

	December 31, 2013				December 31, 2012			
Dollars in Millions	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Equity Securities	$ 1,804	$ —	$ —	$ 1,804	$ 2,196	$ —	$ —	$ 2,196
Equity Funds	534	1,679	—	2,213	410	1,555	—	1,965
Fixed Income Funds	238	657	—	895	234	401	—	635
Corporate Debt Securities	—	1,410	—	1,410	—	453	3	456
Venture Capital and Limited Partnerships	—	—	369	369	—	—	381	381
Government Mortgage Backed Securities	—	1	—	1	—	350	8	358
U.S. Treasury and Agency Securities	—	514	—	514	—	259	—	259
Short-Term Investment Funds	—	122	—	122	—	189	—	189
Insurance Contracts	—	—	142	142	—	—	132	132
Event Driven Hedge Funds	—	122	—	122	—	92	—	92
Collateralized Mortgage Obligation Bonds	—	—	—	—	—	50	6	56
State and Municipal Bonds	—	24	—	24	—	44	3	47
Asset Backed Securities	—	—	—	—	—	23	3	26
Real Estate	4	—	—	4	3	—	—	3
Cash and Cash Equivalents	133	—	—	133	58	—	—	58
Total plan assets at fair value	$ 2,713	$ 4,529	$ 511	$ 7,753	$ 2,901	$ 3,416	$ 536	$ 6,853

The investment valuation policies per investment class are as follows:

Level 1 inputs utilize quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. These instruments include equity securities, equity funds, real estate funds and fixed income funds publicly traded on a national securities exchange, and cash and cash equivalents. Cash and cash equivalents are highly liquid investments with original maturities of three months or less at the time of purchase and are recognized at cost, which approximates fair value. Pending trade sales and purchases are included in cash and cash equivalents until final settlement.

Level 2 inputs include observable prices for similar instruments, quoted prices for identical or similar instruments in markets that are not active, and other observable inputs that can be corroborated by market data for substantially the full term of the assets or liabilities. Equity funds, fixed income funds, event driven hedge funds and short-term investment funds classified as Level 2 within the fair value hierarchy are valued at the net asset value of their shares held at year end. There were no significant unfunded commitments or restrictions on redemptions related to investments valued at NAV as of December 31, 2013. Corporate debt securities, government mortgage backed securities, collateralized mortgage obligation bonds, asset backed securities, U.S. treasury and agency securities, and state and municipal bonds classified as Level 2 within the fair value hierarchy are valued utilizing observable prices for similar instruments and quoted prices for identical or similar instruments in markets that are not active.

Level 3 unobservable inputs are used when little or no market data is available. Venture capital and limited partnerships classified as Level 3 within the fair value hierarchy invest in underlying securities whose market values are determined using pricing models, discounted cash flow methodologies, or similar techniques. Some of the most significant unobservable inputs used in the valuation methodologies include discount rates, Earning Before Interest, Taxes, Depreciation and Amortization (EBITDA) multiples, and revenue multiples. Significant changes in any of these inputs could result in significantly lower or higher fair value measurements. Insurance contract interests are carried at contract value, which approximates the estimated fair value and is based on the fair value of the underlying investment of the insurance company. Insurance contracts are held by certain foreign pension plans. Valuation models for corporate debt securities, government mortgage backed securities, collateralized mortgage obligation bonds and asset backed securities classified as Level 3 within the fair value hierarchy are based on estimated bids from brokers or other third-party vendor sources that utilize expected cash flow streams and collateral values including assessments of counterparty credit quality, default risk, discount rates and overall capital market liquidity.

The following summarizes the activity for financial assets utilizing Level 3 fair value measurements:

Dollars in Millions	Venture Capital and Limited Partnerships	Insurance Contracts	Other	Total
Fair value at January 1, 2012	$ 408	$ 125	$ 33	$ 566
Purchases	43	5	—	48
Sales	(8)	(7)	(10)	(25)
Settlements	(51)	—	(2)	(53)
Realized (losses)/gains	53	—	(4)	49
Unrealized gains/(losses)	(64)	9	6	(49)
Fair value at December 31, 2012	381	132	23	536
Purchases	22	4	—	26
Sales	(12)	(8)	(4)	(24)
Settlements	(101)	—	(19)	(120)
Realized gains	48	5	—	53
Unrealized gains	31	9	—	40
Fair value at December 31, 2013	$ 369	$ 142	$ —	$ 511

The investment strategy emphasizes equities in order to achieve higher expected returns and lower expenses and required cash contributions over the long-term. A target asset allocation of 53% public equity (20% U.S. and 20% international and 13% global), 7% private equity and 40% long-duration fixed income is maintained for the U.S. pension plans. Investments are diversified within each of the three major asset categories. Approximately 95% of the U.S. pension plans equity investments are actively managed. Venture capital and limited partnerships are typically valued on a three month lag using latest available information. BMS common stock represents less than 1% of the plan assets at December 31, 2013 and 2012.

Contributions

Contributions to the U.S. pension plans were $184 million in 2013, $335 million in 2012 and $343 million in 2011. Contributions to the international pension plans were $67 million in 2013, $61 million in 2012 and $88 million in 2011. Aggregate contributions to the U.S. and international plans are expected to be approximately $100 million in 2014.

Estimated Future Benefit Payments

Dollars in Millions	Pension Benefits	Other Benefits
2014	$ 411	$ 44
2015	366	42
2016	377	40
2017	382	38
2018	380	35
Years 2019 – 2023	1,974	144

Savings Plans

The principal defined contribution plan is the Bristol-Myers Squibb Savings and Investment Program. The contribution is based on employee contributions and the level of Company match. The expense attributed to defined contribution plans in the U.S. were $190 million in both 2013 and 2012 and $181 million in 2011.

Post Employment Benefit Plans

Post-employment liabilities for long-term disability benefits were $63 million and $90 million at December 31, 2013 and 2012, respectively, with a related credit of $8 million in 2013 and expense of $17 million in 2012 and $18 million in 2011.

Termination Indemnity Plans

International statutory termination obligations are recognized on an undiscounted basis assuming employee termination at each measurement date. The liability recognized for these obligations was $23 million and $29 million at December 31, 2013 and 2012, respectively.

Note 20 EMPLOYEE STOCK BENEFIT PLANS

On May 1, 2012, the shareholders approved the 2012 Stock Award and Incentive Plan (the 2012 Plan), which replaced the 2007 Stock Incentive Plan. Shares of common stock reserved for issuance pursuant to stock plans, options and conversions of preferred stock were 262 million at December 31, 2013. Shares available to be granted for the active plans, adjusted for the combination of plans, were 114 million at December 31, 2013. Shares for the stock option exercise and share unit vesting are issued from treasury stock. Only shares actually delivered to participants in connection with an award after all restrictions have lapsed will reduce the number of shares reserved. Shares tendered in a prior year to pay the purchase price of options and shares previously utilized to satisfy withholding tax obligations upon exercise continue to be available and reserved.

Executive officers and key employees may be granted options to purchase common stock at no less than the market price on the date the option is granted. Options generally become exercisable ratably over four years and have a maximum term of ten years. Additionally, the plan provides for the granting of stock appreciation rights whereby the grantee may surrender exercisable rights and receive common stock and/or cash measured by the excess of the market price of the common stock over the option exercise price.

Common stock or stock units may be granted to key employees, subject to restrictions as to continuous employment. Restrictions expire over a four year period from date of grant. Compensation expense is recognized over the vesting period. A stock unit is a right to receive stock at the end of the specified vesting period but has no voting rights.

Market share units were granted to certain executives beginning in 2010. Vesting is conditioned upon continuous employment until vesting date and the payout factor equals at least 60% of the share price on the award date. The payout factor is the share price on vesting date divided by share price on award date, with a maximum of 200%. The share price used in the payout factor is calculated using an average of the closing prices on the grant or vest date, and the nine trading days immediately preceding the grant or vest date. Vesting occurs ratably over four years.

Long-term performance awards have a three year cycle and are delivered in the form of a target number of performance share units. The number of shares ultimately issued is calculated based on actual performance compared to earnings targets and other performance criteria established at the beginning of each year of the three year performance cycle. The awards have annual goals with a maximum payout of 167.5%. If threshold targets are not met for a performance period, no payment is made under the plan for that annual period. Vesting occurs at the end of the three year period.

Stock-based compensation expense is based on awards ultimately expected to vest and is recognized over the vesting period. The acceleration of unvested stock options and restricted stock units in connection with the acquisition of Amylin resulted in stock-based compensation expense in 2012. Forfeitures are estimated based on historical experience at the time of grant and revised in subsequent periods if actual forfeitures differ from those estimates. Stock-based compensation expense was as follows:

	Years Ended December 31,		
Dollars in Millions	**2013**	2012	2011
Stock options	**$ 2**	$ 7	$ 27
Restricted stock	**74**	64	79
Market share units	**29**	23	23
Long-term performance awards	**86**	60	32
Amylin stock options and restricted stock units (see Note 4)	**—**	94	—
Total stock-based compensation expense	**$ 191**	$ 248	$ 161
Income tax benefit	**$ 64**	$ 82	$ 56

Share-based compensation activities were as follows:

Shares in Thousands	Stock Options		Restricted Stock Units		Market Share Units		Long-Term Performance Awards	
	Number of Options Outstanding	Weighted-Average Exercise Price of Shares	Number of Nonvested Awards	Weighted-Average Grant-Date Fair Value	Number of Nonvested Awards	Weighted-Average Grant-Date Fair Value	Number of Nonvested Awards	Weighted-Average Grant-Date Fair Value
Balance at January 1, 2013	41,965	$ 23.21	7,568	$ 27.18	2,204	$ 28.46	4,096	$ 28.44
Granted	—	—	2,653	38.73	1,025	37.40	2,464	37.40
Released/Exercised	(18,029)	23.62	(3,050)	24.36	(809)	27.08	(2,072)	27.26
Adjustments for actual payout	—	—	—	—	(298)	27.08	38	37.40
Forfeited/Canceled	(813)	23.19	(619)	30.97	(290)	31.51	(234)	34.66
Balance at December 31, 2013	23,123	22.88	6,552	32.81	1,832	33.82	4,292	33.75
Vested or expected to vest	23,123	22.88	6,053	32.81	1,692	33.82	3,965	33.75

Total compensation costs related to share-based payment awards not yet recognized and the weighted-average period over which such awards are expected to be recognized at December 31, 2013 were as follows:

Dollars in Millions	Restricted Stock Units	Market Share Units	Long-Term Performance Awards
Unrecognized compensation cost	$ 155	$ 32	$ 27
Expected weighted-average period in years of compensation cost to be recognized	2.7	2.6	1.4

Additional information related to share-based compensation awards is summarized as follows:

Amounts in Millions, except per share data	2013	2012	2011
Weighted-average grant date fair value (per share):			
Restricted stock units	$ 38.73	$ 32.71	$ 26.04
Market share units	37.40	31.85	25.83
Long-term performance awards	37.40	32.33	25.30
Fair value of options or awards that vested during the year:			
Stock options	$ 11	$ 23	$ 45
Restricted stock units	74	74	75
Market share units	30	18	8
Long-term performance awards	90	56	21
Total intrinsic value of stock options exercised during the year	$ 323	$ 153	$ 154

The fair value of restricted stock units and long-term performance awards are determined based on the closing trading price of the Company's common stock on the grant date. The fair value of market share units approximated the closing trading price of the Company's common stock on the grant date and was estimated on the date of the grant considering the payout formula and the probability of satisfying market conditions.

The following table summarizes significant ranges of outstanding and exercisable options at December 31, 2013 (amounts in millions, except per share data):

Range of Exercise Prices	Options Outstanding and Exercisable			
	Number Outstanding and Exercisable (in thousands)	Weighted-Average Remaining Contractual Life (in years)	Weighted-Average Exercise Price Per Share	Aggregate Intrinsic Value
$1 - $20	6,457	5.16	$ 17.51	$ 230
$20 - $30	16,660	2.49	24.96	470
$30 - $40	6	3.47	31.30	—
	23,123	3.24	22.88	$ 700

The aggregate intrinsic value in the preceding table represents the total pre-tax intrinsic value, based on the closing stock price of $53.15 on December 31, 2013.

Note 21 LEASES

Minimum rental commitments for non-cancelable operating leases (primarily real estate and motor vehicles) in effect at December 31, 2013, were as follows:

Years Ending December 31,	Dollars in Millions
2014	$ 145
2015	137
2016	117
2017	77
2018	65
Later years	73
Total minimum rental commitments	$ 614

Operating lease expense was $144 million in 2013, $142 million in 2012 and $136 million in 2011. Sublease income was not material for all periods presented.

Note 22 LEGAL PROCEEDINGS AND CONTINGENCIES

The Company and certain of its subsidiaries are involved in various lawsuits, claims, government investigations and other legal proceedings that arise in the ordinary course of business. The Company recognizes accruals for such contingencies when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. These matters involve patent infringement, antitrust, securities, pricing, sales and marketing practices, environmental, commercial, health and safety matters, consumer fraud, employment matters, product liability and insurance coverage. Legal proceedings that are material or that the Company believes could become material are described below.

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

INTELLECTUAL PROPERTY

Atripla

In April 2009, Teva Pharmaceutical Industries Ltd. (Teva) filed an abbreviated New Drug Application (aNDA) to manufacture and market a generic version of *Atripla*. *Atripla* is a single tablet three-drug regimen combining the Company's *Sustiva* (efavirenz) and Gilead's *Truvada*. As of this time, the Company's U.S. patent rights covering *Sustiva*'s composition of matter and method of use have not been challenged. Teva sent Gilead a Paragraph IV certification letter challenging two of the fifteen Orange Book-listed patents for *Atripla*. In May 2009, Gilead filed a patent infringement action against Teva in the U.S. District Court for the Southern District of New York (SDNY). In January 2010, the Company received a notice that Teva has amended its aNDA and is challenging eight additional Orange Book-listed patents for *Atripla*. In March 2010, the Company and Merck, Sharp & Dohme Corp. (Merck) filed a patent infringement action against Teva also in the SDNY relating to two U.S. patents which claim crystalline or polymorph forms of efavirenz. In August 2013, the Company, Merck and Teva reached a settlement relating to the two efavirenz polymorph patents and the case has been dismissed. In March 2010, Gilead filed two patent infringement actions against Teva in the SDNY relating to six Orange Book-listed patents for *Atripla* and in April 2013, Gilead and Teva reached an agreement in principle to settle the lawsuit on the patents covering tenofovir disoproxil fumarate contained in the *Atripla* and *Truvada* products.

Baraclude

In August 2010, Teva filed an aNDA to manufacture and market generic versions of *Baraclude*. The Company received a Paragraph IV certification letter from Teva challenging the one Orange Book-listed patent for *Baraclude*, U.S. Patent No. 5,206,244 (the '244 Patent), covering the entecavir molecule. In September 2010, the Company filed a patent infringement lawsuit in the U.S. District Court for the District of Delaware (Delaware District Court) against Teva for infringement. In February 2013, the Delaware District Court ruled against the Company and invalidated the '244 Patent. The Company has appealed the Delaware District Court's decision and a decision is expected during the first-half of 2014. In October 2013, Teva's aNDA for its generic version of entecavir was tentatively approved by the FDA. The Company is prepared to take legal action in the event that Teva chooses to launch its generic product prior to the resolution of the

Company's appeal. There could be a rapid and significant negative impact on U.S. net product sales of *Baraclude* beginning in early 2014. Net product sales of *Baraclude* in the U.S. were $289 million in 2013.

Baraclude — South Korea

In 2013, Daewoong Pharmaceutical Co. Ltd. and Hanmi Pharmaceuticals Co., Ltd. initiated separate invalidity actions in the Korean Intellectual Property Office (KIPO) against Korean Patent No. 160,523 (the '523 patent). The '523 patent expires in October 2015 and is the Korean equivalent of the '244 Patent, the U.S. composition of matter patent. The invalidity actions are pending and a decision is expected in the first half of 2014. Although the outcome of the actions are unclear at this time, there is a risk that a decision invalidating the patent will encourage generic companies to launch generic versions of *Baraclude* prior to October 2015. Net product sales of *Baraclude* in South Korea were $158 million in 2013.

Plavix—Australia

As previously disclosed, Sanofi was notified that, in August 2007, GenRx Proprietary Limited (GenRx) obtained regulatory approval of an application for clopidogrel bisulfate 75mg tablets in Australia. GenRx, formerly a subsidiary of Apotex Inc. (Apotex), has since changed its name to Apotex. In August 2007, Apotex filed an application in the Federal Court of Australia (the Federal Court) seeking revocation of Sanofi's Australian Patent No. 597784 (Case No. NSD 1639 of 2007). Sanofi filed counterclaims of infringement and sought an injunction. On September 21, 2007, the Federal Court granted Sanofi's injunction. A subsidiary of the Company was subsequently added as a party to the proceedings. In February 2008, a second company, Spirit Pharmaceuticals Pty. Ltd., also filed a revocation suit against the same patent. This case was consolidated with the Apotex case and a trial occurred in April 2008. On August 12, 2008, the Federal Court of Australia held that claims of Patent No. 597784 covering clopidogrel bisulfate, hydrochloride, hydrobromide, and taurocholate salts were valid. The Federal Court also held that the process claims, pharmaceutical composition claims, and claim directed to clopidogrel and its pharmaceutically acceptable salts were invalid. The Company and Sanofi filed notices of appeal in the Full Court of the Federal Court of Australia (Full Court) appealing the holding of invalidity of the claim covering clopidogrel and its pharmaceutically acceptable salts, process claims, and pharmaceutical composition claims which have stayed the Federal Court's ruling. Apotex filed a notice of appeal appealing the holding of validity of the clopidogrel bisulfate, hydrochloride, hydrobromide, and taurocholate claims. A hearing on the appeals occurred in February 2009. On September 29, 2009, the Full Court held all of the claims of Patent No. 597784 invalid. In November 2009, the Company and Sanofi applied to the High Court of Australia (High Court) for special leave to appeal the judgment of the Full Court. In March 2010, the High Court denied the Company and Sanofi's request to hear the appeal of the Full Court decision. The case has been remanded to the Federal Court for further proceedings related to damages sought by Apotex. The Australian government has intervened in this matter and is also seeking damages for alleged losses experienced during the period when the injunction was in place. It is not possible at this time to predict the outcome of the Australian government's claim or its impact on the Company.

Plavix—Canada (Apotex, Inc.)

On April 22, 2009, Apotex filed an impeachment action against Sanofi in the Federal Court of Canada alleging that Sanofi's Canadian Patent No. 1,336,777 (the '777 Patent) is invalid. On June 8, 2009, Sanofi filed its defense to the impeachment action and filed a suit against Apotex for infringement of the '777 Patent. The trial was completed in June 2011 and in December 2011, the Federal Court of Canada issued a decision that the '777 Patent is invalid. In July 2013, the Federal Court of Appeal reversed the Federal Court of Canada's decision and upheld the validity of the '777 Patent. The case was remanded to the Federal Court of Canada to consider the damages owed to the Company by Apotex for the infringement of the '777 patent. In September 2013, Apotex sought leave to appeal the decision of the Federal Court of Appeal to the Supreme Court of Canada and in February 2014, the Supreme Court of Canada decided to hear the case.

GENERAL COMMERCIAL LITIGATION

Remaining Apotex Matters Related to *Plavix*

As previously disclosed, in November 2008, Apotex filed a lawsuit in New Jersey Superior Court against the Company and Sanofi, seeking payment of $60 million, plus interest calculated at the rate of 1% per month, until paid, related to the break-up of a March 2006 proposed settlement agreement relating to the-then pending *Plavix* patent litigation against Apotex. In April 2011, the New Jersey Superior Court granted the Company's cross-motion for summary judgment motion and denied Apotex's motion for summary judgment. Apotex appealed these decisions and the New Jersey Appellate Division reversed the grant of summary judgments remanding the case back to the Superior Court for additional proceedings. The parties have now agreed to resolve this matter through binding arbitration, which is currently scheduled for March 2014. The resolution of this matter is not expected to have a material impact on the Company.

In January 2011, Apotex filed a lawsuit in Florida State Court, Broward County, alleging breach of contract relating to the May 2006 proposed settlement agreement with Apotex relating to the then pending *Plavix* patent litigation. A trial was held in March 2013 and a jury verdict was delivered in favor of the Company. Apotex has appealed this decision.

PRICING, SALES AND PROMOTIONAL PRACTICES LITIGATION AND INVESTIGATIONS

Abilify Federal Subpoena

In January 2012, the Company received a subpoena from the United States Attorney's Office for the SDNY requesting information related to, among other things, the sales and marketing of *Abilify*. It is not possible at this time to assess the outcome of this matter or its potential impact on the Company.

Abilify State Attorneys General Investigation

In March 2009, the Company received a letter from the Delaware Attorney General's Office advising of a multi-state coalition investigating whether certain *Abilify* marketing practices violated those respective states' consumer protection statutes. The Company has entered into a tolling agreement with the states. It is not possible at this time to reasonably assess the outcome of this investigation or its potential impact on the Company.

Abilify Co-Pay Assistance Litigation

In March 2012, the Company and its partner Otsuka were named as co-defendants in a putative class action lawsuit filed by union health and welfare funds in the SDNY. Plaintiffs are challenging the legality of the *Abilify* co-pay assistance program under the Federal Antitrust and the Racketeer Influenced and Corrupt Organizations (RICO) laws, and seeking damages. The Company and Otsuka filed a motion to dismiss the complaint. In June 2013, the Court granted the Company's motion, dismissing all claims but allowing plaintiffs to re-plead the RICO claim. In August 2013, the plaintiffs moved for leave to file an amended complaint, which motion the Court granted in part. One claim alleging tortious interference with contract remains outstanding against the Company. It is not possible at this time to reasonably assess the outcome of this litigation or its potential impact on the Company, although at this time, the resolution of this matter is not expected to have a material impact on the Company.

AWP Litigation

As previously disclosed, the Company, together with a number of other pharmaceutical manufacturers, has been a defendant in a number of private class actions as well as suits brought by the attorneys general of various states. In these actions, plaintiffs allege that defendants caused the Average Wholesale Prices (AWPs) of their products to be inflated, thereby injuring government programs, entities and persons who reimbursed prescription drugs based on AWPs. The Company remains a defendant in two state attorneys general suits pending in state courts in Pennsylvania and Wisconsin. Beginning in August 2010, the Company was the defendant in a trial in the Commonwealth Court of Pennsylvania (Commonwealth Court), brought by the Commonwealth of Pennsylvania. In September 2010, the jury issued a verdict for the Company, finding that the Company was not liable for fraudulent or negligent misrepresentation; however, the Commonwealth Court judge issued a decision on a Pennsylvania consumer protection claim that did not go to the jury, finding the Company liable for $28 million and enjoining the Company from contributing to the provision of inflated AWPs. The Company appealed the decision to the Pennsylvania Supreme Court and oral argument took place in May 2013.

Qui Tam Litigation

In March 2011, the Company was served with an unsealed qui tam complaint filed by three former sales representatives in California Superior Court, County of Los Angeles. The California Department of Insurance has elected to intervene in the lawsuit. The complaint alleges the Company paid kickbacks to California providers and pharmacies in violation of California Insurance Frauds Prevention Act, Cal. Ins. Code § 1871.7. It is not possible at this time to reasonably assess the outcome of this lawsuit or its impact on the Company.

PRODUCT LIABILITY LITIGATION

The Company is a party to various product liability lawsuits. As previously disclosed, in addition to lawsuits, the Company also faces unfiled claims involving its products.

Plavix

As previously disclosed, the Company and certain affiliates of Sanofi are defendants in a number of individual lawsuits in various state and federal courts claiming personal injury damage allegedly sustained after using *Plavix*. Currently, over 5,700 claims involving injury plaintiffs as well as claims by spouses and/or other beneficiaries, are filed in state and federal courts in various states including California, Illinois, New Jersey, Delaware and New York. In February 2013, the Judicial Panel on Multidistrict Litigation granted the Company and Sanofi's motion to establish a multidistrict litigation to coordinate Federal pretrial proceedings in *Plavix* product liability and related cases in New Jersey Federal Court. It is not possible at this time to reasonably assess the outcome of these lawsuits or the potential impact on the Company.

Reglan

The Company is one of a number of defendants in numerous lawsuits, on behalf of approximately 3,000 plaintiffs, including injury plaintiffs claiming personal injury allegedly sustained after using *Reglan* or another brand of the generic drug metoclopramide, a product indicated for gastroesophageal reflux and certain other gastrointestinal disorders, as well as claims by spouses and/or other beneficiaries. The Company, through its generic subsidiary, Apothecon, Inc., distributed metoclopramide tablets manufactured by another party between 1996 and 2000. It is not possible at this time to reasonably assess the outcome of these lawsuits. The resolution of these pending lawsuits, however, is not expected to have a material impact on the Company.

Hormone Replacement Therapy

The Company is one of a number of defendants in a mass-tort litigation in which plaintiffs allege, among other things, that various hormone therapy products, including hormone therapy products formerly manufactured by the Company (*Estrace*, Estradiol, *Delestrogen* and *Ovcon*) cause breast cancer, stroke, blood clots, cardiac and other injuries in women, that the defendants were aware of these risks and failed to warn consumers. The Company has agreed to resolve the claims of approximately 400 plaintiffs and has also reached a settlement in principle to resolve an additional 29 claims. The Company remains a defendant in approximately three actively pending lawsuits in federal and state courts throughout the U.S. All of the Company's hormone therapy products were sold to other companies between January 2000 and August 2001. The resolution of these remaining lawsuits is not expected to have a material impact on the Company.

Byetta

Amylin, a former subsidiary of the Company, and Lilly are co-defendants in product liability litigation related to *Byetta.* To date, there are over 280 separate lawsuits pending on behalf of approximately 1,100 plaintiffs, which include injury plaintiffs as well as claims by spouses and/or other beneficiaries, in various courts in the U.S. The Company has agreed in principle to resolve over 350 of these claims. The majority of these cases have been brought by individuals who allege personal injury sustained after using *Byetta*, primarily pancreatic cancer and pancreatitis, and, in some cases, claiming alleged wrongful death. The majority of cases are pending in Federal Court in San Diego in a recently established multidistrict litigation, with the next largest contingent of cases pending in a coordinated proceeding in California Superior Court in Los Angeles. Amylin and Lilly are currently scheduled for trial in a single-plaintiff case in February 2014 in California Superior Court in Los Angeles. Amylin has product liability insurance covering a substantial number of claims involving *Byetta* and any additional liability to Amylin with respect to *Byetta* is expected to be shared between the Company and AstraZeneca. It is not possible to reasonably predict the outcome of any lawsuit, claim or proceeding or the potential impact on the Company.

BMS-986094

In August 2012, the Company announced that it had discontinued development of BMS-986094, an investigational compound which was being tested in clinical trials to treat the hepatitis C virus infection due to the emergence of a serious safety issue. To date, the Company is aware of ten lawsuits that have been filed against the Company by plaintiffs in Texas, Oklahoma and Virginia, most of which were removed to Federal Court, alleging that they participated in clinical trials of BMS-986094 and suffered injuries as a result thereof. The Company has settled the vast majority of known claims, including eight of the filed claims. One claim filed in state court remains outstanding. The resolution of the remaining lawsuits and any other potential future lawsuits is not expected to have a material impact on the Company.

ENVIRONMENTAL PROCEEDINGS

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

CERCLA Matters

With respect to CERCLA matters for which the Company is responsible under various state, federal and foreign laws, the Company typically estimates potential costs based on information obtained from the U.S. Environmental Protection Agency, or counterpart state or foreign agency and/or studies prepared by independent consultants, including the total estimated costs for the site and the expected cost-sharing, if any, with other "potentially responsible parties," and the Company accrues liabilities when they are probable and reasonably estimable. The Company estimated its share of future costs for these sites to be $66 million at December 31, 2013, which represents the sum of best estimates or, where no best estimate can reasonably be made, estimates of the minimal probable amount among a range of such costs (without taking into account any potential recoveries from other parties).

New Brunswick Facility—Environmental & Personal Injury Lawsuits

Since May 2008, over 250 lawsuits have been filed against the Company in New Jersey Superior Court by or on behalf of current and former residents of New Brunswick, New Jersey who live or have lived adjacent to the Company's New Brunswick facility. The complaints allege various personal injuries resulting from environmental contamination at the New Brunswick facility and historical operations at that site, or are claims for medical monitoring. A portion of these complaints also assert claims for alleged property damage. In October 2008, the New Jersey Supreme Court granted Mass Tort status to these cases and transferred them to the New Jersey Superior Court in Atlantic County for centralized case management purposes. Since October 2011, over 150 additional cases have been filed in New Jersey Superior Court and removed by the Company to United States District Court, District of New Jersey. Accordingly, there are in excess of 400 cases between the state and federal court actions. Discovery is ongoing. The first trial is currently scheduled to commence in state court in August 2014. The Company intends to defend itself vigorously in this litigation. It is not possible at this time to reasonably assess the outcome of these lawsuits or the potential impact on the Company.

North Brunswick Township Board of Education

As previously disclosed, in October 2003, the Company was contacted by counsel representing the North Brunswick, NJ Board of Education (BOE) regarding a site where waste materials from E.R. Squibb and Sons may have been disposed from the 1940's through the 1960's. Fill material containing industrial waste and heavy metals in excess of residential standards was discovered during an expansion project at the North Brunswick Township High School, as well as at a number of neighboring residential properties and adjacent public park areas. In January 2004, the New Jersey Department of Environmental Protection (NJDEP) sent the Company and others an information request letter about possible waste disposal at the site, to which the Company responded in March 2004. The BOE and the Township, as the current owners of the school property and the park, are conducting and jointly financing soil remediation work and ground water investigation work under a work plan approved by the NJDEP, and have asked the Company to contribute to the cost. The Company is actively monitoring the clean-up project, including its costs. To date, neither the school board nor the Township has asserted any claim against the Company. Instead, the Company and the local entities have negotiated an agreement to attempt to resolve the matter by informal means, and avoid litigation. A central component of the agreement is the provision by the Company of interim funding to help defray cleanup costs and assure the work is not interrupted. The Company transmitted interim funding payments in December 2007 and November 2009. The parties commenced mediation in late 2008; however, those efforts were not successful and the parties moved to a binding allocation process. The parties are expected to conduct fact and expert discovery, followed by formal evidentiary hearings and written argument. Hearings are scheduled to commence in March 2014. In addition, in September 2009, the Township and BOE filed suits against several other parties alleged to have contributed waste materials to the site. The Company does not currently believe that it is responsible for any additional amounts beyond the two interim payments totaling $4 million already transmitted. Any additional possible loss is not expected to be material.

OTHER PROCEEDINGS

SEC Germany Investigation

In October 2006, the SEC informed the Company that it had begun a formal inquiry into the activities of certain of the Company's German pharmaceutical subsidiaries and its employees and/or agents. The SEC's inquiry encompasses matters formerly under investigation by the German prosecutor in Munich, Germany, which have since been resolved. The Company understands the inquiry concerns potential violations of the Foreign Corrupt Practices Act (FCPA). The Company has been cooperating with the SEC.

FCPA Investigation

In March 2012, the Company received a subpoena from the SEC. The subpoena, issued in connection with an investigation under the FCPA, primarily relates to sales and marketing practices in various countries. The Company is cooperating with the government in its investigation of these matters.

Note 23 SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Dollars in Millions, except per share data	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2013					
Total Revenues	$ 3,831	$ 4,048	$ 4,065	$ 4,441	$ 16,385
Gross Margin	2,768	2,940	2,890	3,168	11,766
Net Earnings	623	530	692	735	2,580
Net Earnings/(Loss) Attributable to:					
Noncontrolling Interest	14	(6)	—	9	17
BMS	609	536	692	726	2,563
Earnings per Share - Basic[1]	$ 0.37	$ 0.33	$ 0.42	$ 0.44	$ 1.56
Earnings per Share - Diluted[1]	0.37	0.32	0.42	0.44	1.54
Cash dividends declared per common share	$ 0.35	$ 0.35	$ 0.35	$ 0.36	$ 1.41
Cash and cash equivalents	$ 1,355	$ 1,821	$ 1,771	$ 3,586	$ 3,586
Marketable securities[2]	4,420	4,201	4,574	4,686	4,686
Total Assets	35,958	36,252	36,804	38,592	38,592
Long-term debt[3]	7,180	7,122	6,562	7,981	7,981
Equity	13,699	14,373	14,714	15,236	15,236

Dollars in Millions, except per share data	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2012					
Total Revenues	$ 5,251	$ 4,443	$ 3,736	$ 4,191	$ 17,621
Gross Margin	3,948	3,198	2,749	3,116	13,011
Net Earnings/(Loss)	1,482	808	(713)	924	2,501
Net Earnings/(Loss) Attributable to:					
Noncontrolling Interest	381	163	(2)	(1)	541
BMS	1,101	645	(711)	925	1,960
Earnings/(Loss) per Share - Basic[1]	$ 0.65	$ 0.38	$ (0.43)	$ 0.56	$ 1.17
Earnings/(Loss) per Share - Diluted[1]	0.64	0.38	(0.43)	0.56	1.16
Cash dividends declared per common share	$ 0.34	$ 0.34	$ 0.34	$ 0.35	$ 1.37
Cash and cash equivalents	$ 2,307	$ 2,801	$ 1,503	$ 1,656	$ 1,656
Marketable securities[2]	6,307	5,968	5,125	4,696	4,696
Total Assets	32,408	31,667	36,044	35,897	35,897
Long-term debt[3]	5,270	5,209	7,227	7,232	7,232
Equity	16,246	15,812	13,900	13,638	13,638

(1) Earnings per share for the quarters may not add to the amounts for the year, as each period is computed on a discrete basis.
(2) Marketable securities includes current and non-current assets.
(3) Also includes the current portion of long-term debt.

The following specified items affected the comparability of results in 2013 and 2012:

2013

Dollars in Millions	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Accelerated depreciation, asset impairment and other shutdown costs	$ —	$ —	$ —	$ 36	$ 36
Amortization of acquired Amylin intangible assets	138	137	137	137	549
Amortization of Amylin alliance proceeds	(67)	(67)	(68)	(71)	(273)
Amortization of Amylin inventory adjustment	14	—	—	—	14
Cost of products sold	85	70	69	102	326
Marketing, selling and administrative[(a)]	1	1	4	10	16
Research and development[(b)]	—	—	—	16	16
Provision for restructuring	33	173	6	14	226
Pension settlements	—	99	37	25	161
Acquisition and alliance related items	—	(10)	—	—	(10)
Litigation charges/(recoveries)	—	(23)	—	—	(23)
Upfront, milestone and other licensing receipts	(14)	—	—	—	(14)
Other (income)/expense	19	239	43	39	340
Increase to pretax income	105	310	116	167	698
Income tax on items above	(35)	(116)	(40)	(51)	(242)
Increase to net earnings	$ 70	$ 194	$ 76	$ 116	$ 456

(a) Specified items in marketing, selling and administrative are process standardization implementation costs.
(b) Specified items in research and development are upfront, milestone and other licensing payments.

2012

Dollars in Millions	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Accelerated depreciation, asset impairment and other shutdown costs	$ —	$ 147	$ —	$ —	$ 147
Amortization of acquired Amylin intangible assets	—	—	91	138	229
Amortization of Amylin alliance proceeds	—	—	(46)	(68)	(114)
Amortization of Amylin inventory adjustment	—	—	9	14	23
Cost of products sold	—	147	54	84	285
Stock compensation from accelerated vesting of Amylin awards	—	—	67	—	67
Process standardization implementation costs	8	5	3	2	18
Marketing, selling and administrative	8	5	70	2	85
Stock compensation from accelerated vesting of Amylin awards	—	—	27	—	27
Upfront, milestone and other licensing payments	—	—	21	26	47
IPRD impairment	58	45	—	39	142
Research and development	58	45	48	65	216
Impairment charge for BMS-986094 intangible asset	—	—	1,830	—	1,830
Provision for restructuring	22	20	29	103	174
Gain on sale of product lines, businesses and assets	—	—	—	(51)	(51)
Pension settlements	—	—	—	151	151
Acquisition and alliance related items	12	1	29	1	43
Litigation charges/(recoveries)	(172)	22	50	55	(45)
Upfront, milestone and other licensing receipts	—	—	—	(10)	(10)
Out-licensed intangible asset impairment	38	—	—	—	38
Loss on debt repurchases	19	—	8	—	27
Other (income)/expense	(81)	43	116	249	327
Increase to pretax income	(15)	240	2,118	400	2,743
Income tax on items above	8	(77)	(722)	(156)	(947)
Specified tax benefit[(a)]	—	—	—	(392)	(392)
Income taxes	8	(77)	(722)	(548)	(1,339)
Increase/(Decrease) to Net Earnings	$ (7)	$ 163	$ 1,396	$ (148)	$ 1,404

(a) Specified tax benefit relates to a capital loss deduction.

REPORTS OF MANAGEMENT

Management's Responsibility for Financial Statements

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

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

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of management, including the chief executive officer and chief financial officer, management assessed the effectiveness of internal control over financial reporting as of December 31, 2013 based on the framework in *Internal Control-Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, management has concluded that the Company's internal control over financial reporting was effective at December 31, 2013 to provide reasonable assurance regarding the reliability of its financial reporting and the preparation of its financial statements for external purposes in accordance with United States generally accepted accounting principles. Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Deloitte & Touche LLP, an independent registered public accounting firm, has audited the Company's financial statements included in this Annual Report and has issued its report on management's assessment of the effectiveness of the Company's internal control over financial reporting, which appears on page 83 in this Annual Report.

Lamberto Andreotti
Chief Executive Officer

Charles Bancroft
Chief Financial Officer

February 14, 2014

CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of December 31, 2013, management carried out an evaluation, under the supervision and with the participation of its chief executive officer and chief financial officer, of the effectiveness of the design and operation of its disclosure controls and procedures as such term is defined under Exchange Act Rule 13a-15(e). Based on this evaluation, management has concluded that as of December 31, 2013, such disclosure controls and procedures were effective.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of management, including the chief executive officer and chief financial officer, management assessed the effectiveness of internal control over financial reporting as of December 31, 2013 based on the framework in "Internal Control—Integrated Framework" (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, management has concluded that the Company's internal control over financial reporting was effective at December 31, 2013 to provide reasonable assurance regarding the reliability of its financial reporting and the preparation of its financial statements for external purposes in accordance with United States generally accepted accounting principles. Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Deloitte & Touche LLP, an independent registered public accounting firm, has audited the Company's financial statements included in this report on Form 10-K and issued its report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2013, which is included herein.

Changes in Internal Control Over Financial Reporting

As of December 31, 2013, we have included Amylin Pharmaceuticals, Inc., which was acquired in 2012, in our assessment of the effectiveness of our internal control over financial reporting. There were no changes in our internal control over financial reporting in the fourth quarter of 2013 that have or are reasonably likely to materially affect the Company's internal control over financial reporting.

OTHER INFORMATION

The Compensation and Management Development Committee of our Board of Directors has approved new equity award guidelines for all executives at the company. Beginning with the equity awards granted in March 2014, the award guidelines will be expressed as a percentage of salary rather than a fixed dollar amount for each grade level. The Committee approved the new guidelines with respect to our Named Executive Officers at the Committee's regularly scheduled meeting on February 13, 2014. The specific amounts will not be determined until awards are granted in March 2014.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

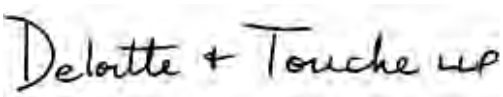
To the Board of Directors and Shareholders of
Bristol-Myers Squibb Company

We have audited the accompanying consolidated balance sheets of Bristol-Myers Squibb Company and subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of earnings, comprehensive income, and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Bristol-Myers Squibb Company and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control-Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 14, 2014 expressed an unqualified opinion on the Company's internal control over financial reporting.



Parsippany, New Jersey
February 14, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of Bristol-Myers Squibb Company and subsidiaries (the "Company") as of December 31, 2013, based on criteria established in *Internal Control-Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

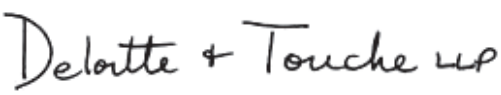
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material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

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control-Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2013 of the Company and our report dated February 14, 2014 expressed an unqualified opinion on those consolidated financial statements.

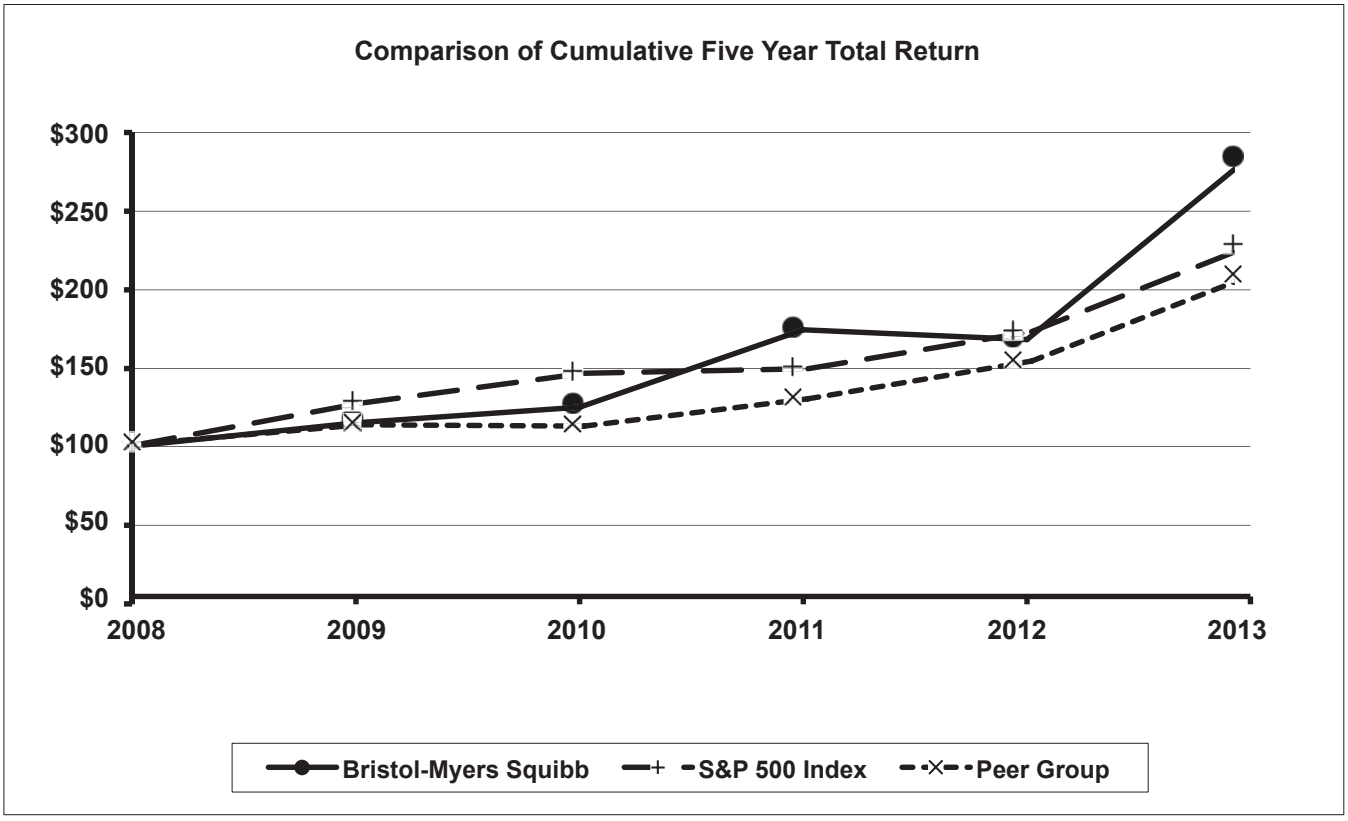


Parsippany, New Jersey
February 14, 2014

PERFORMANCE GRAPH

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

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



	12/31/08	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13
Bristol-Myers Squibb	$100	$ 115	$ 125	$ 174	$ 168	$ 285
S&P 500 Index	$100	$ 126	$ 146	$ 149	$ 172	$ 228
Peer Group	$100	$ 113	$ 112	$ 129	$ 153	$ 209

Assumes $100 invested on 12/31/08 in Bristol-Myers Squibb common stock, S&P 500 Index, and Peer Group. Values are as of December 31 of specified year assuming dividends are reinvested.

Five Year Financial Summary

Amounts in Millions, except per share data	2013	2012	2011	2010	2009
Income Statement Data:[a]					
Total Revenues	**$ 16,385**	$ 17,621	$ 21,244	$ 19,484	$ 18,808
Continuing Operations:					
Net Earnings	**2,580**	2,501	5,260	4,513	4,420
Net Earnings Attributable to:					
Noncontrolling Interest	**17**	541	1,551	1,411	1,181
BMS	**2,563**	1,960	3,709	3,102	3,239
Net Earnings per Common Share Attributable to BMS:					
Basic	**$ 1.56**	$ 1.17	$ 2.18	$ 1.80	$ 1.63
Diluted	**$ 1.54**	$ 1.16	$ 2.16	$ 1.79	$ 1.63
Average common shares outstanding:					
Basic	**1,644**	1,670	1,700	1,713	1,974
Diluted	**1,662**	1,688	1,717	1,727	1,978
Cash dividends paid on BMS common and preferred stock	**$ 2,309**	$ 2,286	$ 2,254	$ 2,202	$ 2,466
Cash dividends declared per common share	**$ 1.41**	$ 1.37	$ 1.33	$ 1.29	$ 1.25
Financial Position Data at December 31:					
Cash and cash equivalents	**$ 3,586**	$ 1,656	$ 5,776	$ 5,033	$ 7,683
Marketable securities[b]	**4,686**	4,696	5,866	4,949	2,200
Total Assets	**38,592**	35,897	32,970	31,076	31,008
Long-term debt[c]	**7,981**	7,232	5,376	5,328	6,130
Equity	**15,236**	13,638	15,867	15,638	14,785

(a) For a discussion of items that affected the comparability of results for the years 2013, 2012 and 2011, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures."
(b) Includes current and non-current marketable securities.
(c) Also includes the current portion of long-term debt.

Bristol-Myers Squibb Leadership

BOARD OF DIRECTORS

James M. Cornelius
Chairman, Bristol-Myers Squibb

Lamberto Andreotti
Chief Executive Officer,
Bristol-Myers Squibb

Lewis B. Campbell
Retired Chairman and
Chief Executive Officer, Textron Inc. and
Navistar International Corporation (b,c)

Laurie H. Glimcher, M.D.
Stephen and Suzanne Weiss Dean,
Cornell Medical College, and Cornell
University Provost for Medical Affairs (a,d)

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

Alan J. Lacy
Senior Advisor,
Oak Hill Capital Partners, L.P. (a,b)

Thomas J. Lynch, Jr., M.D.
Director, Yale Cancer Center, and
Physician-in-Chief, Smilow Cancer
Hospital, Yale-New Haven (d)

Dinesh C. Paliwal
Executive Chairman, President
and Chief Executive Officer,
Harman International Industries, Inc. (b)

Vicki L. Sato, Ph.D.
Professor of Management Practice,
Harvard Business School, and Professor of
the Practice of Molecular and Cell Biology,
Harvard University (c,d)

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

Togo D. West, Jr.
Chairman, TLI Leadership
Group and Noblis, Inc. (b,c)

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

SENIOR MANAGEMENT TEAM

Lamberto Andreotti
Chief Executive Officer

Charles Bancroft
Executive Vice President
and Chief Financial Officer

Giovanni Caforio, M.D.
Executive Vice President and
Chief Commercial Officer

Francis Cuss, MB BChir, FRCP
Executive Vice President and
Chief Scientific Officer

Brian Daniels, M.D.
Senior Vice President,
Global Development and Medical Affairs

John Elicker
Senior Vice President,
Public Affairs and Investor Relations

Frances Heller
Senior Vice President,
Business Development

Ann Powell Judge
Senior Vice President, Human Resources

Sandra Leung
General Counsel and Corporate Secretary

Samuel Moed
Senior Vice President,
Strategic Planning and Analysis

Anne Nielsen
Chief Compliance and Ethics Officer

Lou Schmukler
President, Global Manufacturing and Supply

Paul von Autenried
Senior Vice President, Enterprise Services,
and Chief Information Officer

Stockholder Information

Common Stock

Ticker symbol: BMY
New York Stock Exchange

Annual Meeting of Stockholders

Tuesday, May 6, 2014
10:00 a.m.
Bristol-Myers Squibb Company
777 Scudders Mill Road
Plainsboro, NJ 08536

Stockholder Services

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

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

www.shareowneronline.com

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

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

Shareowner Services Plus Plan℠

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

Shareowner Services Plus Plan is a Service Mark of Wells Fargo Shareowner Services.

Form 10-K

For a free copy of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013, contact:

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

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

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

Additional Information

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

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

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

Product Names and Company Programs

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

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

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

Avapro/Avalide and *Plavix* are trademarks of Sanofi.

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

Delestrogen is a trademark of JHP Pharmaceuticals, LLC.

Erbitux is a trademark of ImClone LLC.

Estrace and *Ovcon* are trademarks of Warner Chilcott Company, LLC.

Farxiga, Forxiga, Xigduo, Onglyza and *Kombiglyze/Komboglyze* are trademarks of AstraZeneca AB.

Gleevec is a trademark of Novartis AG.

Humira is a trademark of AbbVie Biotechnology Ltd.

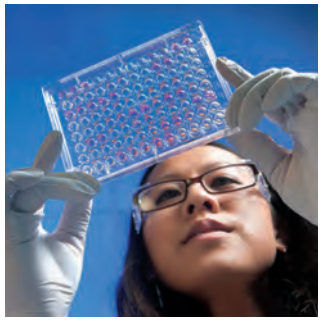
Reglan is a trademark of ANIP Acquisition Company.

Truvada is a trademark of Gilead Sciences, Inc.

All other brand names are trademarks of Bristol-Myers Squibb Company or one of its subsidiaries.

A Treatment Comes Just in Time

When **Robert Gholston, Jr.**, was just 9 years old, he was struck by a car, rushed to the hospital and given a blood transfusion. For decades, he donated blood to the Red Cross as a way to give back. That's when he first learned that he was infected with hepatitis C virus (HCV). But he felt fine – until symptoms appeared in 2010. By then he was in severe liver failure and required a transplant. However, the transplant also began to fail as it was aggressively attacked by HCV. "I overheard the doctor say that I was dying," he recalls. His hepatologist decided that his best chance would be two experimental treatments, including daclatasvir from Bristol-Myers Squibb. After just four weeks, his viral loads were undetectable. And now, three years later, the 59-year-old father of eight and trainer for General Motors is living an active life. And when you ask him today about any side effects of the treatment, Gholston says there was one. "Now I'm so emotional. I cried when the numbers went down. And it's the simple things in life now that I cry about because the treatment gave me time."



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