Delivering Transformational Medicines to Patients

Rusty Cline participated in a clinical trial for a new immunotherapy from Bristol-Myers Squibb.

Bristol-Myers Squibb

WE **WORK** FOR *Rusty*

Since he was first diagnosed with stage four metastatic melanoma in 2006, **Rusty Cline**, 51, who lives on a horse farm in Purcellville, Virginia, has had to endure at least 10 surgeries, including two brain surgeries, as the cancer spread and ravaged his body. He had enrolled in several clinical trials for experimental treatments, but recurrences forced him to leave those studies. In 2012, he was given *Yervoy* (ipilimumab), which had recently been approved as a potential treatment option. But his disease continued to progress.

"By September, I had quite a few active tumors that were sticking out of my body. I wasn't able to work [he is an IT consultant], and was essentially just waiting to die. And I didn't think the wait would be long," he recalls.

Yet, his parents and a close friend convinced him to enter one more trial – even though it was hundreds of miles from home – at Memorial Sloan Kettering Cancer Center in New York City – and stood by him throughout his treatments. The study for nivolumab (approved in the U.S. in late 2014 as *Opdivo* for certain patients with metastatic melanoma) sought to determine whether his immune system could be activated to fight the disease, even after failing on other treatments.

After eight weeks, scans showed a 23 percent reduction in Rusty's tumors. And he reports that today the tumors have shrunk by about 95 percent. "The doctors think that what's left is probably not even the cancer anymore, but scar tissue," he adds. "From the time I started on *Opdivo*, I could feel the tumors in my body getting smaller. The question for me was no longer whether it was going to work, but how quickly it was going to work."

Today Rusty has gone back to work and to two of his favorite hobbies – galloping horses and riding motorcycles. "I'm doing everything I used to do. It's simply amazing," he says.

> "I'M DOING EVERYTHING I USED TO DO. IT'S SIMPLY AMAZING."

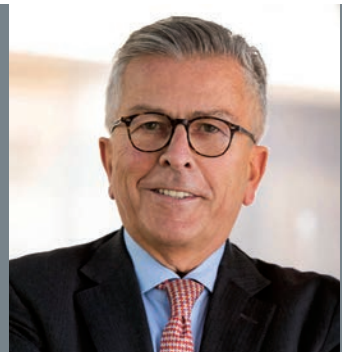
OUR PERFORMANCE IN 2014 across brands and geographies, continued **innovation** and **productivity** in R&D, and investments in **business development** opportunities reflect the **strength** and **execution** of our BioPharma **strategy** and positions us well for 2015. By keeping **patients** at the center of everything we do, we are **working** hard to **develop** innovative **medicines** that have the potential to **transform** the **lives** of the people we **serve**.

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.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

"BY EVERY INDICATION, BRISTOL-MYERS SQUIBB IS WELL POSITIONED FOR CONTINUED SUCCESS. WE HAVE THE RIGHT PRODUCTS. WE HAVE THE RIGHT PLANS. WE HAVE THE RIGHT PEOPLE."

– Lamberto Andreotti, Chief Executive Officer



2014 was an exciting year for Bristol-Myers Squibb. We achieved commercial and clinical milestones. We launched new and innovative products. We strengthened our company in meaningful ways.

Throughout the year, we executed against our BioPharma strategy, delivering across the organization and across the globe. We also accelerated our evolution to a diversified specialty BioPharma company, transforming our organization and laying the foundation for future growth.

This balanced approach – driving results today, while building for tomorrow – remains a key to our success. It is good for our business. It is good for our patients.

Delivering Our Results

In 2014, we had revenues of $15.9 billion, representing 6% sales growth, excluding our diabetes franchise. Our new and inline product sales grew by 19%. Our performance across key markets was strong.

Immuno-Oncology

With respect to immuno-oncology, 2014 was a groundbreaking year.

Sales of *Yervoy* (for metastatic melanoma) continued to pick up momentum. We reached $1 billion in global annual sales and have every reason to be optimistic about the future as prescription trends are very encouraging.

Opdivo was approved for metastatic melanoma in the U.S. and Japan, and we are working towards approvals in Europe and the rest of the world for both melanoma and lung cancer. Over the course of the year, we presented important clinical data regarding *Opdivo*, including the first confirmation of a survival benefit for a PD-1 immune checkpoint inhibitor in both melanoma and lung cancer. And with *Opdivo* being studied across 20 tumor types in more than 50 trials – as both a monotherapy and in combination with other medicines – we are anticipating more positive data in the months to come.

Most recently, in early March 2015, *Opdivo* was approved in the U.S. for the treatment of patients with previously treated metastatic squamous non-small cell lung cancer. This was a very significant development – one that provides this patient population with its first immuno-oncology therapy.

Hepatitis C

With respect to hepatitis C, 2014 was an exciting year, because it became evident that an actual cure for this chronic disease is now possible. It also became evident that this increasingly competitive, increasingly complex and rapidly changing area of high unmet medical need requires that we constantly update our approach.

We received approvals for and have launched *Daklinza* in key regions around the world. Our dual regimen of *Daklinza* and *Sunvepra* is addressing the needs of HCV patients in Japan, while the combination of *Daklinza* with other HCV agents is on the market in several countries around Europe.

In the U.S., we withdrew our New Drug Application for asunaprevir, due to the rapidly changing treatment landscape in HCV. Consequently, we received a Complete Response Letter from the FDA for *Daklinza*, requesting additional information about its use in combination with other agents different than asunaprevir. This has delayed a potential U.S. approval. However, we have Phase III data for *Daklinza* in combination with another agent that we will use to address the FDA request, and we remain confident that we will be able to resume the U.S. review process quickly.

Cardiovascular

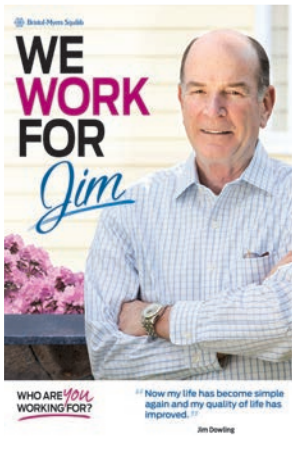
With respect to *Eliquis*, 2014 was a very good year – one characterized by new indications, accelerated growth and an increased appreciation for the product's unique and differentiated profile.

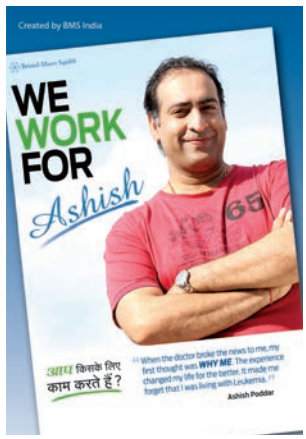
Eliquis sales grew every quarter, and we expect that trend to continue. We have invested increased resources, and our people have used them effectively. For that reason, *Eliquis* became

WHO ARE *you* WORKING FOR?

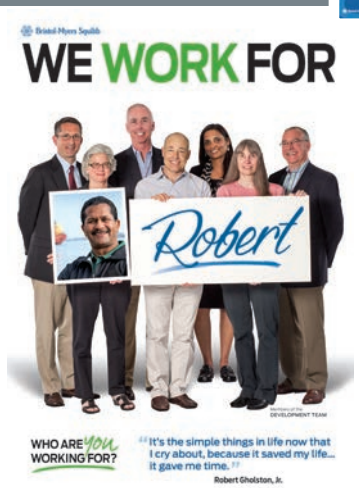
AT BRISTOL-MYERS SQUIBB, WE PUT PEOPLE AT THE CENTER OF ALL WE DO, FROM THE PATIENTS WE SERVE TO THE EMPLOYEES WHO MAKE IT ALL POSSIBLE.

We are evolving to a diversified specialty BioPharma company in order to lead and win in the marketplace and to best fulfill our promises to our patients, customers and shareholders. Making a difference in people's lives is what we are all about. We are united by this common goal, but each of us has our own source of inspiration that drives our success and motivates us to achieve more.

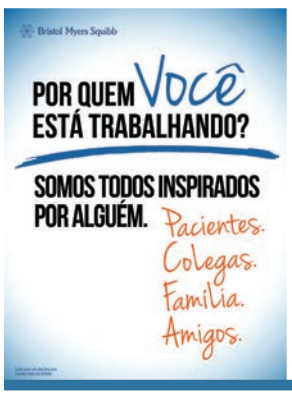




"Now my life has become simple again and my quality of life has improved."



"There are people who do a job. Then there are those who impact lives. You are among the latter."



"I wish to express my gratitude to BMS and China Cancer Foundation for bringing a second life for my boy."

the number one new oral anticoagulant prescribed by cardiologists for new-to-brand patients in the U.S. and Japan.

Laying Our Foundation

Our success in 2014 was measured not only in the results driven over the course of the year, but also in our ability to lay the foundation for the next one and beyond.

To that end, we devoted a great deal of resources – people, time and money – to building our pipeline of the future. In addition to the clinical work in immuno-oncology and hepatitis C already mentioned:

- We continued to advance new HIV agents toward late-stage development.
- We conducted mid-stage trials in fibrotic diseases.
- We entered human trials with 12 new agents for diseases, including lupus, rheumatoid arthritis, cancer, thrombosis, fibrosis and genetically defined diseases.

We also pursued several academic collaborations and business development opportunities in immuno-oncology, oncology, fibrosis and genetically defined diseases – underscoring the fact that business development remains a top priority for us in areas aligned with our key strategic diseases.

Serving Our Communities

Throughout 2014, we continued to pursue our community-based activities across the globe and across therapeutic areas to help underserved populations and to benefit the places in which we live and work.

Our Bristol-Myers Squibb Foundation launched two new initiatives – one to expand access to specialty care for vulnerable populations in the U.S. and one to address the lung cancer epidemic in the area of the U.S. known as the "tobacco belt," which has the highest lung cancer incidence and mortality in the country.

The Foundation also expanded our *SECURE THE FUTURE* program to the prevention and care for cervical and breast cancers in women living with HIV in sub-Saharan Africa. And we continued all of the work we have been doing to combat hepatitis B and C in China and India, to fight cancer in Central and Eastern Europe, and to help returning veterans and their families in the United States.

With respect to sustainability, Bristol-Myers Squibb was again ranked number one overall on Corporate Responsibility magazine's annual list of the "100 Best Corporate Citizens," a leading benchmark for socially responsible investors and other stakeholders. This reflects our commitment to people, high ethical standards and progress on social and environmental sustainability.

Strengthening Our Organization

To accelerate our evolution, we made important changes to our company, beginning with the completion of the divestiture of our diabetes business. We refocused our commercial organization to optimize global brands and key markets. We continued to sharpen our R&D focus on specialty products. And in an effort to significantly expand our company's biologics manufacturing capacity, we started the expansion of our plant in Devens, Massachusetts, and recently announced our plan to build a new state-of-the-art facility in Cruiserath, Ireland.

On January 20, 2015, **Giovanni Caforio** was designated chief executive officer by the Board of Directors, effective May 5, 2015. Giovanni currently serves as chief operating officer with responsibility for leading a fully integrated worldwide commercial organization and the companywide functions of Enterprise Services and Global Manufacturing & Supply. In June 2014, Giovanni was elected to the company's Board of Directors.

Giovanni joined Bristol-Myers Squibb in 2000 as vice president and general manager for Italy, subsequently assumed responsibility for South-East Europe, and was appointed senior vice president, European Marketing and Brand Commercialization, in 2004. From 2007 to 2011, he helped build the company's leadership in immuno-oncology as the head of the U.S. and Global Oncology organizations. Giovanni made valuable contributions to the company's strategic focus and operational performance in roles as U.S. president and chief commercial officer from 2011 to 2014. Prior to joining Bristol-Myers Squibb, Giovanni spent 12 years with Abbott Laboratories in a number of leadership positions. Giovanni earned his M.D. degree from the University of Rome before joining the pharmaceutical industry.

"I AM HONORED TO HAVE THE PRIVILEGE TO LEAD THIS GREAT COMPANY."

– Giovanni Caforio, M.D.
Chief Operating Officer
and CEO-Designate

Additionally, we made some important leadership changes. Giovanni Caforio was promoted to Chief Operating Officer and was elected to the Board of Directors. Recently, he was also selected to serve as our next Chief Executive Officer, effective May 5.

Toward the end of the year, we expanded the role of our General Counsel and promoted Sandra Leung to Executive Vice President.

We also launched an important initiative within our company – "Who Are You Working For?" – that has focused our attention even more on the people at the center of everything we do: patients and Bristol-Myers Squibb employees. Through videos, pictures and writings, we have been sharing our personal stories of family and friends who have faced health challenges and who inspire us to work for a company like Bristol-Myers Squibb, a company dedicated to improving people's lives.

By asking each other "Who Are You Working For?" we have started a new conversation within Bristol-Myers Squibb – one that underscores our deep, personal connection to our work, one that motivates us to do even more.

Continuing Our Success

Taken together, 2014 was a good, important year for us – one characterized by solid results and smart investments.

By every indication, Bristol-Myers Squibb is well positioned for continued success. We have the right products. We have the right plans. We have the right people.

And as we transition to the next chapter of the Bristol-Myers Squibb story, I will be leaving my position as CEO and becoming the Chairman of our Board of Directors. Although I am certainly looking forward to this new opportunity, I will miss working alongside my friend and colleague, Jim Cornelius, who will be retiring.

I am also looking forward to working with our new CEO. Giovanni's promotion not only guarantees a smooth transition for our leadership team; it sets the stage for a promising future for our company and for our patients.

Lamberto Andreotti
Chief Executive Officer
March 5, 2015

Message from the Chairman of the Board

> MORE THAN EVER, WE ARE MAKING A MEANINGFUL DIFFERENCE IN THE LIVES OF OUR PATIENTS."
>
> – James M. Cornelius, Chairman

I could not be more proud of our company.

Financially we are solid. Operationally we are strong. And more than ever, we are making a meaningful difference in the lives of our patients.

Over the last several years, we have transformed Bristol-Myers Squibb into a BioPharma leader. This has led to better results for our company. This has led to better outcomes for our patients.

In 2007, we launched our BioPharma Transformation. That meant a new strategy, a new focus and a new sense of the possible. Combining the best of big pharma with the best of biotech, we began a process that fundamentally changed "what" we do and "how" we do it. More innovation. More improvement. More integration.

In 2014, we accelerated that process as we evolved into a Diversified Specialty BioPharma company. We sharpened our R&D focus. We restructured our commercial organization. And we made a host of other important changes to support our evolution and to set us up for future success.

The results have already been significant. We are now leading the way across multiple therapeutic areas, making major breakthroughs in everything from immuno-oncology to virology, and we are evolving our organization to better meet the challenges of an ever-changing external environment and the needs of our ever-deserving patients.

Our company has never been stronger. Our future has never been brighter. And I have full confidence that my successor, Lamberto Andreotti, will bring the same energy, vision and passion to the position of Board Chairman that he has brought to his role of Chief Executive Officer. I also have full confidence that our next CEO, Giovanni Caforio, and the entire Bristol-Myers Squibb family will continue to build on the foundation we have established and continue delivering for our patients.

Thank you for the opportunity to serve during the last ten years.

James M. Cornelius
Chairman
March 5, 2015

Bristol-Myers Squibb Business Highlights

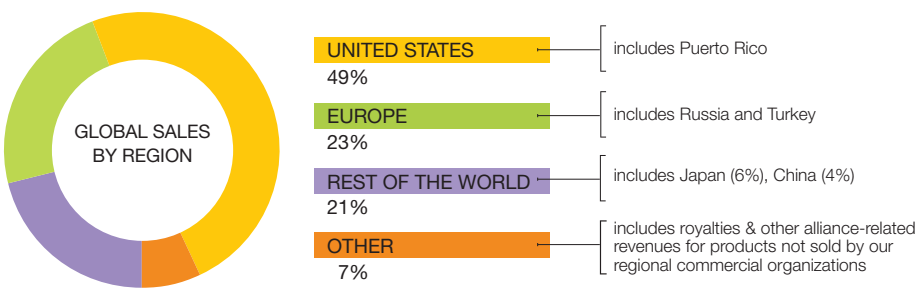
"2014 GLOBAL SALES of $15.9 billion included **positive** results for **key growth drivers** including ***Eliquis***, which grew by $628 million; ***Orencia***, which increased 14%; ***Sprycel***, up 17%; ***Yervoy***, which grew 36%; and our **hepatitis C** franchise, with combined sales of $256 million."

Total **shareholder return**, including dividends, was **14%** for 2014.

REVENUE GROWTH FOR KEY PRODUCTS

The new commercial model for Bristol-Myers Squibb places a special focus on investing in and growing our key brands while maintaining all our major franchises. During 2014, our key brands delivered strong performance, including double-digit sales growth that, in many cases, has outpaced the market. Our successes reflect the ability of world-wide brand teams to work cooperatively across our commercial, R&D and medical groups. We have also successfully aligned markets around global brand messages that resonate with health care providers and their patients. And most importantly, our medicines have continued to deliver real benefits to patients who rely on us every day.

2014 WORLDWIDE SALES



The Strategy Is Delivering

> WHAT WE DO – we **focus** on our customers' needs, giving maximum **priority** to accelerating pipeline development, **delivering** sales growth and **continuing** to manage costs."
>
> – Lamberto Andreotti, Chief Executive Officer

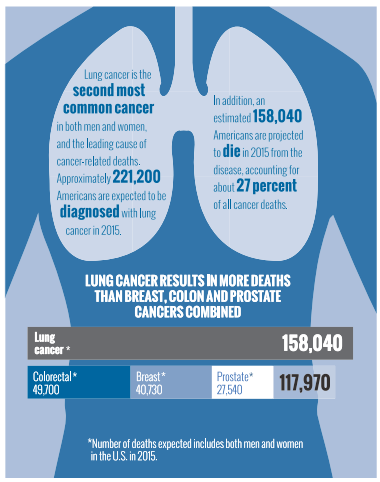
ELIQUIS is the **#1** novel oral **anticoagulant** prescribed by **cardiologists** for new-to-brand **patients** in the **U.S.** and **Japan.**

ELIQUIS GLOBAL GROWTH

In 2014, the use of *Eliquis* (apixaban) broadened, with additional approvals in the U.S. and E.U. for the treatment and reduction in the risk of recurrent venous thromboembolism, which includes deep vein thrombosis (DVT) and pulmonary embolism. *Eliquis* was already approved for use in patients with nonvalvular atrial fibrillation and the prophylaxis of DVT following hip and knee replacement surgeries. In addition to new uses, *Eliquis* has benefited from increased investments focused on ensuring that health care providers and patients understand the efficacy and safety profile of *Eliquis*. In its three biggest markets – the U.S., Germany and Japan, which together represent about 80 percent of its total sales – *Eliquis* continued its strong growth. In the U.S. and Japan, it became the number one novel oral anticoagulant to be prescribed by cardiologists for new-to-brand patients. In addition, positive results of a Phase III study were announced on an investigational reversal agent for patients who may require reversal of the anticoagulation effects of *Eliquis* due to a major bleeding event or because they require emergency surgery.

OPDIVO

In early March 2015, *Opdivo* (nivolumab) was approved in the U.S. for the treatment of patients with metastatic squamous non-small cell lung cancer (NSCLC) with progression on or after prior therapy. *Opdivo* is the first and only PD-1 therapy to demonstrate overall survival in previously treated metastatic squamous NSCLC. Lung cancer is one of the leading causes of cancer deaths in the U.S., and non-small cell lung cancer is one of the most common types of the disease, accounting for about 85 percent of cases. (Read more about *Opdivo* and other company efforts in immuno-oncology beginning on page 12.) This approval is the second for *Opdivo* in the U.S. and follows an approval less than three months earlier – in late December 2014 – for patients with unresectable or metastatic melanoma and disease progression following *Yervoy* (ipilimumab) and, if *BRAF* mutation positive, a BRAF inhibitor. Prior to its initial U.S. approval, *Opdivo* received market approval in Japan for unresectable melanoma – the first time a drug targeting the immune system's PD-1 pathway was approved anywhere in the world. In anticipation of the initial U.S. approval for *Opdivo*, the company had expanded its field teams, including sales, medical affairs and experts in access and reimbursement. Shipments began within days of approval, and the company reached out to melanoma oncology health care providers about *Opdivo* within the first two weeks. Interest has remained very high. The

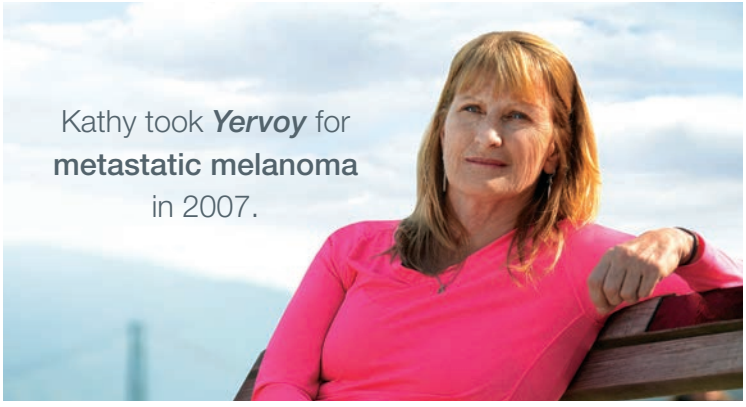


company's understanding of physician needs and payer focus, along with a well-developed customer-focused infrastructure, helped *Opdivo* launch with a superior customer experience and service. The teams also built on their experience with *Yervoy* and an established commercial presence in the U.S. marketplace. Additional global regulatory filings in melanoma and lung cancer are currently under review while an unprecedented effort continues to explore additional uses for *Opdivo* in multiple tumor types as monotherapy and in combination with other agents.

SPRYCEL

Progress continues in establishing *Sprycel* (dasatinib) as an important medicine in the treatment of chronic myeloid leukemia (CML), especially in first-line settings. In differentiating *Sprycel* in a highly competitive marketplace, the company has helped physicians understand its deep and fast response as well as its simple once-daily dosing with no food restrictions. The result has been double-digit growth. Along with positive long-term efficacy data in both first- and second-line uses, *Sprycel* continues to support a predictable and manageable side effect profile. Plans are to study *Sprycel* alone and in combination with assets in the company's immuno-oncology portfolio (including *Opdivo*) to determine whether certain patients can continue to sustain a clinical response after discontinuing therapy. Early studies are also ongoing to investigate the potential use of *Sprycel* in certain patients with advanced non-small cell lung cancer.

In 2014, we **invested** $4.5 billion in **R&D**, which included the **discovery** and **development** of new **medicines** for patients.



YERVOY

Yervoy (ipilimumab) broke new ground in 2011 when it became the first immuno-oncology agent to demonstrate a long-term survival benefit in patients with advanced melanoma. With strong financial performance across all geographies and $1.3 billion in global sales in 2014, *Yervoy* continues to generate strong demand both in community and institutional settings. It also has gained broad approval and reimbursement from health authorities and other payers, including for its use in the first-line setting for melanoma patients in Europe and other parts of the world. We continue to invest in studying *Yervoy* for new indications and to generate additional data.

12 new medicines for patients in the past **7 years**

"***Orencia* SC** has now been fully **launched** in most major **markets** around the **world**."

ORENCIA

Orencia (abatacept) has continued to outpace the rheumatoid arthritis (RA) market's dollar growth for the past four years, resulting in ongoing robust share increases. Among its major successes in 2014 was surpassing $1 billion in sales for the first time in the U.S. Additionally, *Orencia* SC, its subcutaneous formulation, has now been fully launched in most major markets around the world, adding to its already successful IV formulation. And with the publication of the AVERT clinical trial results this year as well as other clinical trial data, physicians have increasingly focused on the importance of the data around the earlier use of *Orencia* in patients with moderate to severe RA and its potential to alter the destructive course of the disease. *Orencia* remains the first and only selective T-cell modulator that inhibits co-stimulation required for full T-cell activation. This helps position *Orencia* as a first-line biologic treatment option in patients with moderate to severe RA, including those with early rapidly progressing RA and poor prognostic factors.

HEPATITIS C

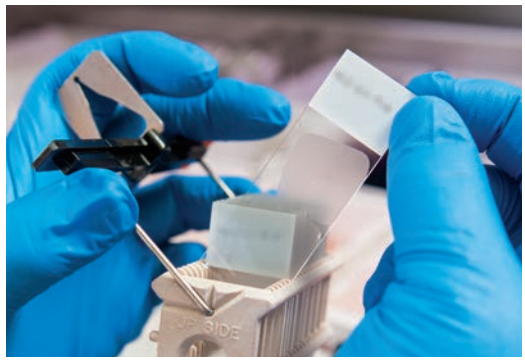
In mid-2014, Bristol-Myers Squibb received approval in Japan for *Daklinza* (daclatasvir) and *Sunvepra* (asunaprevir), Japan's first interferon-free and ribavirin-free, all-oral combination treatment for patients with genotype 1 chronic hepatitis C (HCV) infection. Also during the summer, *Daklinza* received regulatory approval in the E.U. for its use in combination with other medicinal products. We are also filing for approval of *Daklinza* in the U.S. The company pioneered a number of scientific discoveries that have played important roles in the development of multiple treatment options for HCV patients around the world, treatments that for the first time feature high cure rates. Now the company is turning its attention, and clinical development resources, to the most difficult-to-treat HCV patients, where there is still a high unmet need, even with many new treatment options. These include patients who have already advanced to liver cirrhosis, who represent less common genotypes or who have had liver transplants as a result of the infection.

A new **global** campaign helped ***Daklinza*** – for hepatitis C – **successfully** launch **across** many markets in **Europe.**

JUST 5 YEARS AGO, we had about 40% of our **development** projects in **biologics**. If we look forward **3-5 years**, we believe that **number** could potentially **grow** to about 75%.

GLOBAL MANUFACTURING AND SUPPLY EXPANDS BIOLOGICS CAPABILITIES

As biologics from Bristol-Myers Squibb become increasingly important in the treatment of serious diseases, the company has continued to expand its capabilities to develop and manufacture these important new medicines. In 2013 we announced a $250 million expansion of our manufacturing complex in Devens, Massachusetts, nearly doubling the size of the workforce there. This will help the company expand the manufacture of potential biologics for use in clinical trials. Construction is expected to be completed in 2015, bringing our investment to $1 billion and our employee count to 750 in Devens. In addition, in late 2014, Bristol-Myers Squibb announced plans for the construction of a new, large-scale biologics manufacturing facility in Cruiserath, Ireland, which would create up to 400 manufacturing jobs and another 1,000 jobs during the construction phase. The new plant will be built on the grounds of the company's existing bulk pharmaceutical manufacturing plant. The full cost of the facility when finalized is anticipated to be comparable to the investment made in its Devens biologics facility. During the year, the company also announced an agreement with Lonza for a multi-year expansion of an existing biologics manufacturing agreement, including production at Lonza's facility in Portsmouth, New Hampshire. The aim is to meet anticipated demand for our commercial biologics portfolio and to supplement in-house manufacturing capabilities for late-stage clinical assets.



CULTIVATING INNOVATION THROUGH BUSINESS DEVELOPMENT

Business development remains a top priority for Bristol-Myers Squibb. The company is focused on sourcing innovation both internally and externally through commercial, development, research and platform technology opportunities that support both our near-term portfolio and long-term growth.

In 2014, we continued to fuel our leadership in immuno-oncology and our evolution to a diversified specialty BioPharma company in a variety of ways, many of which are discussed in the Special Report that begins on page 9. In early 2015, we have already announced several additional transactions and expect to continue this approach. Since publication of our last annual report, we have:

- Entered multiple clinical collaborations to help generate data investigating how our immuno-oncology pipeline works in combination with other agents, including agreements with Celldex Therapeutics, Eli Lilly, Ono Pharmaceutical and Kyowa Hakko Kirin, Five Prime Therapeutics, Seattle Genetics, Celgene, Pharmacyclics and Janssen, Novartis, Incyte and the University of Texas MD Anderson Cancer Center.
- Announced plans to acquire Flexus Biosciences, giving us rights to potential immunotherapies that focus on modulating the tumor microenvironment.
- Broadened our efforts to discover and develop novel approaches to treat serious disease through a variety of unique alliances and collaborations, including – in immuno-oncology – CytomX Therapeutics, Five Prime Therapeutics and Rigel Pharmaceuticals.
- Enhanced our portfolio by acquiring rights to novel assets across several areas of interest, such as oncology, fibrosis and genetically defined diseases, including agreements with the California Institute for Biomedical Research, Galecto and F-star Alpha and the acquisition of iPierian, Inc.
- Partnered with academic and research institutions to identify and speed development of promising science and technologies, including a breakthrough agreement with Allied Minds to advance discoveries of biopharmaceutical innovations at leading U.S. academic research institutions.
- Developed, for the first time, investments with venture capital funds to expand and enhance our discovery efforts and clinical pipeline.

SPECIAL REPORT

Delivering Transformational Medicines to Patients

Evolving Our Business Model

OUR COMMERCIAL AND R&D ORGANIZATIONS share a common purpose: to accelerate innovation in areas of high unmet medical need, and offer meaningful and differentiated improvements in the lives of patients. As you will see in the pages that follow, Bristol-Myers Squibb has set a high bar for developing and delivering large treatment effects wherever possible. We are focusing on therapies that may be first- or best-in-class, with novel mechanisms of action and innovative therapeutic approaches. Indeed, some may even be transformational for medical practice, for biomedical science and – most important – for patients and their families.

An Evolving Business Model

A number of principles have continued to guide efforts to build a "benchmark" commercial organization that is able to deliver market-leading performance while bringing the results of innovative science to health care providers and their patients. First, enhancing an external focus helps drive competitiveness and create value for all our stakeholders. It also helps us make necessary choices and allocate the right resources appropriately. Second, speeding therapies to patients requires an emphasis on simplification, including streamlining governance and decision-making. Cooperation is key to increasing efficiency and effectiveness. Third, finding new and better ways to develop and motivate people will improve performance across geographies and functions, ensuring meaningful interactions with customers and the right strategic and operational alignments around key growth drivers and therapies in development.

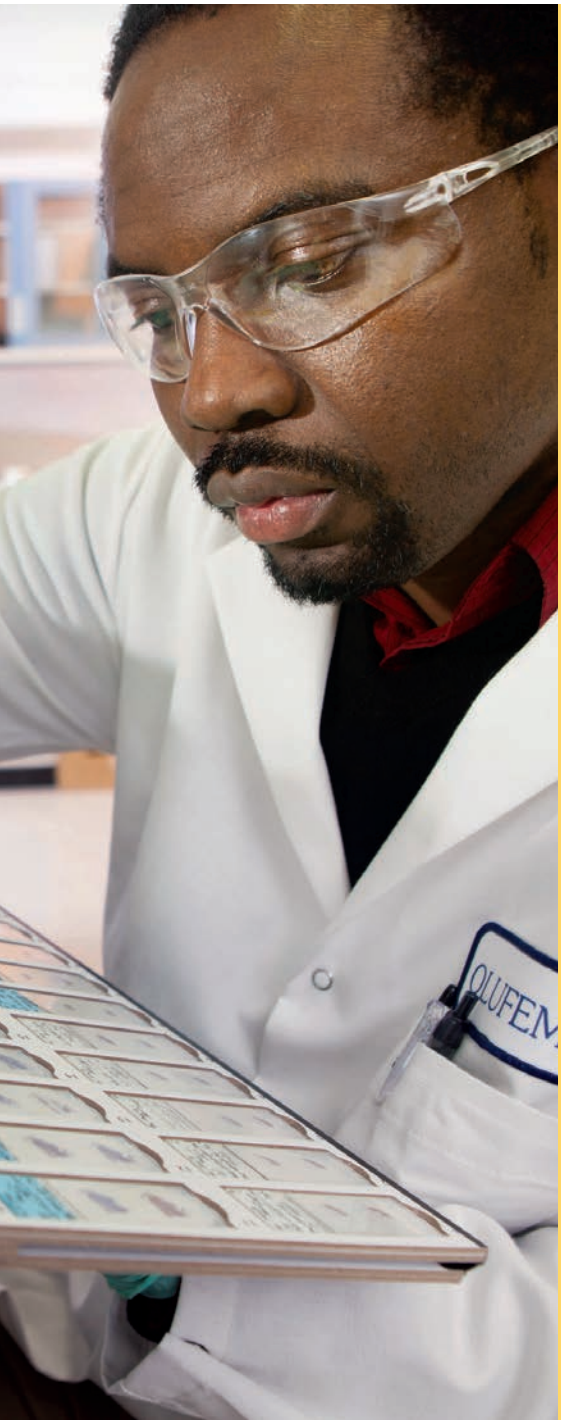
For example, in France, one of Bristol-Myers Squibb's most important markets, the general manager leads an innovative initiative to regularly and comprehensively obtain feedback from health care providers who have had specific interactions with company employees in the course of medical meetings, clinical trials or other programs. Whether viewed as favorable or not, the feedback results are examined by specially trained company "ambassadors," including the general manager, who follow up with these customers in order to learn what can be done better or differently, while capturing and institutionalizing what is done well. All this helps to further enhance the quality of customer interactions.

To improve governance and organizational structures, layers of decision-making have been eliminated and reporting relationships simplified, bringing markets and employees closer to customers, while giving individuals more responsibility and accountability to speed in decision-making.

A positive result is developing and implementing increasingly successful global brand strategies, while harnessing global capabilities most efficiently. Our new commercial model makes speed to market and speed in getting drugs to patients faster and simpler by emphasizing a one-brand identity across geographies, while still reflecting regional differences in health care systems.

For instance, with the approval of *Daklinza* (daclatasvir) in the E.U. came the launch of a promotional campaign that is shared across geographies. After brainstorming 20 different concepts, this "Long-Awaited Response" campaign effectively portrayed

"SPEEDING THERAPIES TO PATIENTS requires an emphasis on simplification, including streamlining governance and decision-making. Cooperation is key to increasing efficiency and effectiveness."



the long-sought-after moment when a patient achieves a cure for his or her hepatitis C infection. We also had a successful launch in Japan of *Daklinza* and *Sunvepra* (asunaprevir), the first all-oral, interferon- and ribavirin-free regimen introduced in Japan for hepatitis C infections. More than 140,000 patients there could potentially benefit immediately from these treatments. Such coordinated global efforts also helped us experience significant market share increases for *Eliquis* (apixaban), where both its efficacy and safety are emphasized; for *Orencia* (abatacept), focusing on its emerging potential in first-line use for early active RA disease; and good growth for *Sprycel* (dasatinib), whose global team continues to execute effectively.

Transforming R&D

Important principles also guide a transforming R&D organization that is focused on delivering large treatment effects through the therapies it develops while also, whenever possible, transforming the lives of patients and the future of biomedical science.

Efforts include a focus on breakthrough innovation, increasing our ability to speed products to patients, optimizing customer interactions, focusing on the best ways to deliver our pipeline of products, and building a culture that rewards talent. Such approaches continue to depend on the right organizational alignment for every therapeutic area and asset among both commercial and R&D colleagues, and with external collaborators. We have also instituted processes making individuals more accountable for a potential therapy from discovery through approval.

Central to all such efforts remains our ability to speed innovative new drugs to patients. To do that requires a greater external focus, including a better understanding of scientific, medical and business innovation, as well as an appreciation of what payers and patients really need and value. To tap into external knowledge, we have established new lines of communication to better connect senior leadership with key academic institutions and cancer centers, including 11 centers in the Bristol-Myers Squibb International Immuno-Oncology Network as well as many new centers as part of an enterprise-wide initiative established in 2014 across R&D, medical and commercial.

A better understanding of patient needs also is extraordinarily valuable. At a recent leaders meeting, R&D colleagues had an opportunity to meet and learn from a colleague who is also the mother of a Duchenne muscular dystrophy patient (see story on page 20), illustrating how any breakthrough therapy they may seek to develop and bring into the clinic would add real value and benefit for her son and his quality of life. Such insights will help R&D scientists potentially uncover more appropriate endpoints for clinical trials by gaining a deeper and more personal appreciation of the patient journey.

That appreciation must extend as well to payers, to gain insights into the value they ascribe to innovative treatments under development, including those for relatively small numbers of patients for which there are no effective treatments as in the case of many genetically defined diseases currently under investigation. This kind of focus will foster additional valuable collaborations.

Leading the Way in Immuno-Oncology

DESPITE CONTINUING ADVANCES IN CANCER TREATMENT, for most tumors, once the cancer spreads beyond the original tumor site, chances for long-term survival for most patients unfortunately have remained elusive – until recently. In 2011, with its approval to treat metastatic melanoma and a demonstration of a significant survival benefit in a Phase III melanoma trial, *Yervoy* (ipilimumab) started a revolution in cancer therapy and brought new hope for long-term survival. The approval of *Yervoy* also established our pioneering leadership in immuno-oncology, a transformational opportunity for cancer patients that unleashes the patient's own immune system to attack a tumor. Since then, several clinical trials have demonstrated a long-term survival advantage for a proportion of patients taking *Yervoy* that, in some cases, can be as long as 10 years – and still counting.

Today, *Yervoy* enjoys broad access worldwide for first- and second-line treatment of melanoma and continues to be studied as monotherapy and in combination in a number of other tumor types. Using immuno-oncology assets to potentially provide long-term survival for the greatest number of patients across many tumor types is the company's ultimate goal.

Opdivo Approved

The company made significant progress in 2014 by delivering its second immuno-oncology drug, *Opdivo* (nivolumab), to patients. In July, the approval of *Opdivo* in Japan for unresectable melanoma (obtained by the company's partner Ono Pharmaceutical) marked the first time a PD-1 was approved anywhere in the world. In December, *Opdivo* was approved in the U.S. for previously treated metastatic melanoma, reaching patients less than three months after the FDA accepted for priority review the Biologics License Application and granted *Opdivo* its second Breakthrough Therapy Designation. Then in early March 2015, *Opdivo* received its second U.S. approval, for the treatment of patients with metastatic squamous non-small cell lung cancer (NSCLC) with progression on or after prior therapy. It is the first and only PD-1 therapy to demonstrate overall survival in previously treated metastatic squamous NSCLC.

Opdivo works by binding to a checkpoint receptor called PD-1, which is expressed on activated T-cells – the body's immune-response foot soldiers. Inhibiting that blockade allows the immune system to again do its work, but in a distinct way from *Yervoy*, which inhibits a checkpoint pathway called CTLA-4.

Beyond the approvals in the U.S. and Japan, the company is working to realize the full potential of *Opdivo* in other markets and tumor types. In May 2014, the FDA granted its first Breakthrough Therapy Designation for *Opdivo* for the treatment of patients with Hodgkin's lymphoma after failure of autologous stem cell transplant and brentuximab. Clinical trials are ongoing. The company also successfully completed a regulatory submission in Europe for squamous non-small cell lung cancer and completed a melanoma filing in Europe, which was granted an accelerated assessment. Additional regulatory filings and potential launches are planned in 50 markets worldwide.

WE WORK FOR *Daniel*

Life for **Daniel Potkova**, 58, was fairly circumscribed. He was born and raised and still lives in Córdoba City, the second largest city in Argentina. Daniel would go to his job early every morning – as a metal worker – and come home at 7 at night to spend time with Adriana, his wife of 36 years; his son, now an architect; and his daughter, a teacher.

Yet two years ago, a life of hard work and devotion to family suddenly took an unexpected turn. He had felt sick with a persistent cough and difficulty breathing. The initial diagnosis of pneumonia was found four months later to be stage four squamous non-small cell lung cancer with a tumor in his right lung and lesions in his left. Though he had been a smoker for many years, Daniel admits, "I never thought it could happen to me." Adriana adds: "We felt our world was falling apart. They talked about him having just four months left."

With surgery not an option, his doctor at the Hospital Tránsito Cáceres de Allende recommended that he enter a clinical trial for nivolumab, a new experimental treatment from Bristol-Myers Squibb that sought to "turn on" the patient's own immune system to combat the cancer. After his first evaluation, the tumor and lesions had shrunk 30 percent and now, two years later, the disease has remained stable.

Thanks to his trust in his physician, his results to date and the love and care of his family, Daniel has a renewed sense of optimism. And though he had to quit his job as a result of his illness, he continues to rely on his family for their support. His daughter returned home to be with her father through his difficulties. And his son accompanied him to doctor visits. "A lung cancer diagnosis is devastating," Adriana says. "But it teaches you to treasure life and the people around you who love you so much."

"I would very much like to have grandchildren," Daniel adds. "I hope to be surprised sometime in the near future."


“IT TEACHES YOU TO TREASURE LIFE AND THE PEOPLE AROUND YOU WHO LOVE YOU SO MUCH.”

OPDIVO: GOOD NEWS FOR PATIENTS

Jeffrey Weber, M.D., a medical oncologist at the Moffitt Cancer Center in Tampa, Florida, whose primary focus is on melanoma patients with metastatic disease, has witnessed and been a part of a dramatic change over the past decade in treating patients. "Ten years ago, it was a kind of desolate landscape where metastatic melanoma patients had an average survival of less than a year. And for a very long time, the fact that immunotherapy might work in melanoma garnered no respect. But today you have many more options and you have drugs that really work," he says. That change has come with the introduction of *Yervoy* (ipilimumab), the first immuno-oncology agent to demonstrate a long-term survival benefit in metastatic melanoma, and as newer immunotherapies like nivolumab (*Opdivo*), a PD-1 inhibitor, are being studied across many other cancers, including melanoma, and are demonstrating clinical activity with some responses of longer duration. Weber says, "That is very good news for patients."

Recently, he was the lead investigator for a Bristol-Myers Squibb-sponsored clinical trial that compared nivolumab versus standard chemotherapy in patients who had progressed following treatment with *Yervoy*, a first-line treatment. "The results clearly favored nivolumab," he reports, "with obvious superiority both in terms of response rates as well as lower toxicities. What's more, these responses were not of brief duration as you would see with chemotherapy; they were prolonged." That study formed the basis for the FDA approval of *Opdivo* as a new immunotherapy treatment option for certain patients in late December 2014. (See story on page 12 for more on *Opdivo* and how PD-1 antibodies work.)

Clinical Studies Show Promise

While there are multiple other checkpoint blockades, company researchers now believe that the PD-1 checkpoint may be at the top of negative regulators that principally affect the tumor site. As a result, *Opdivo* has the potential to work in more indications; that is, it seems to have a broad spectrum of activity with a potentially better adverse effect profile than some other blockade inhibitors. That offers the opportunity for *Opdivo* to elicit durable immune responses and become a foundational treatment – as monotherapy or in combination – for a wide range of tumor types.

Early clinical trials have already demonstrated sometimes dramatic responses in melanoma, lung and renal cancers, and certain lymphomas. What's more, the FDA has granted fast-track designations to *Opdivo* trials for lung cancer, renal cell carcinoma and melanoma, all of which are being pursued in parallel, rather than sequentially, in order to accelerate development and delivery to patients. Lung cancer is a prime target. It is the leading cancer killer globally, resulting in about 1.6 million deaths, and until *Opdivo* there were few indications that immunotherapy could have an effect. Yet in an early phase trial, *Opdivo* was able to shrink tumors in the lung in an unprecedented way. In addition, in a midstage clinical trial, CheckMate -063, the safety profile of *Opdivo* in squamous NSCLC was established. And a Phase III study, CheckMate -017, evaluating *Opdivo* versus the standard of care, docetaxel, in previously treated patients with metastatic squamous NSCLC, was stopped early because an assessment conducted by an independent Data Monitoring Committee concluded that the study met its endpoint, demonstrating superior overall survival in patients receiving *Opdivo* compared to the control arm. *Opdivo* is the only FDA-approved monotherapy to demonstrate proven superior overall survival compared to the standard of care in over 15 years in previously treated metastatic squamous NSCLC. The subsequent FDA approval of *Opdivo* in the U.S. was based on the results of CheckMate -017 and CheckMate -063.

Opdivo is the only PD-1 that has demonstrated efficacy (in terms of objective response rate) in a pivotal Phase III clinical trial in patients with advanced melanoma who had been previously treated and progressed with *Yervoy* and, if *BRAF* mutation positive, a BRAF inhibitor. The company received FDA approval for this indication in late December. Separately, a Phase III trial in first-line melanoma that compared *Opdivo* to chemotherapy was stopped early because *Opdivo* showed a superior survival benefit in these patients, thus allowing patients in the comparator arm of the study to receive *Opdivo*. This was the first time that a PD-1 immune checkpoint inhibitor demonstrated a survival benefit in a Phase III trial. Also, a Phase Ib combination trial of *Yervoy* and *Opdivo* showed that a large majority of patients receiving the optimum dose and schedule survived to the two-year mark, and about half of patients were alive three-and-a-half years later. It was just a few years ago that median survival for advanced melanoma patients was a year or less.

Finally, results announced in December from a small trial of patients with Hodgkin's lymphoma showed that 87 percent of patients, with no other treatment options, taking *Opdivo* experienced either a partial or complete response, showing the potential application of immuno-oncology to hematological malignancies.

Some 7,000 patients worldwide are either in the process of enrolling or are already enrolled at hundreds of clinical trial sites. Indeed, Bristol-Myers Squibb's development program for *Opdivo* is unprecedented in the company's history of new drug development for its breadth of potential indications. After all, *Opdivo* is being studied in more than 20 different tumor types across more than 50 separate clinical trials around the world – all at approximately the same time. These include potentially registrational trials in non-small cell lung cancer, melanoma, renal cell carcinoma, head and neck cancers, glioblastoma and lymphoma.

Collaborations Are Key

Because the science is rapidly evolving about how the different components of the immune system can be most effectively activated in more cancers and for more patients, finding new options through combination therapies is important. One approach has been to establish a series of collaborations with academic institutions to advance the science of immuno-oncology and with other companies to seek the best possible combination treatment regimens that might include *Opdivo* and other therapies.

During 2014, Bristol-Myers Squibb entered into a large number of these collaborations, including with the University of Texas MD Anderson Cancer Center, where the focus is on leukemia and other hematologic malignancies and where the intention is to launch up to 10 Phase I and Phase II clinical trials; the Dana Farber Cancer Institute, to learn more about patients treated with *Yervoy* and *Opdivo*; and CytomX, exploring multiple immuno-oncology targets using CytomX's proprietary Probody discovery platform.

The company also announced new clinical collaborations to study *Opdivo* with a potential therapy from Pharmacyclics and Janssen in non-Hodgkin's lymphoma; three oncology drugs from Novartis for non-small cell lung cancer; an antibody from Kyowa Hakko Kirin to be studied by Ono Pharmaceutical and Kyowa Hakko Kirin in advanced solid tumors; and a lead candidate from Five Prime Therapeutics in six tumor types. Other ongoing collaborations are studying *Opdivo* combinations with drugs from Eli Lilly, Celgene, Seattle Genetics, Celldex and Incyte. In addition, we have other existing partnerships with Innate Pharma, Rockefeller University, Ono Pharmaceutical, Dako and Bristol-Myers Squibb's own International Immuno-Oncology Network of 11 academic institutions, which was first established in 2012.

And in early 2015, we announced plans to acquire Flexus Biosciences, which will give us rights to its leading IDO1 inhibitor, as well as to a broad IDO/TDO discovery program. We also entered a collaboration with Rigel Pharmaceuticals for its portfolio of small-molecule TGF beta receptor kinase inhibitors. IDO, TDO and TGF beta inhibitors are immunotherapies that are thought to modulate the immediate area surrounding a tumor and may enhance the immune system's ability to fight cancer. We plan to explore them in combination with other immunotherapies, such as *Opdivo*.

IMMUNO-ONCOLOGY AFTER *YERVOY* AND *OPDIVO*

Even as *Yervoy* (ipilimumab) and *Opdivo* (nivolumab) are being studied for potential use in multiple tumor types and in various combinations, company researchers are seeking to develop a next wave of immunotherapies, which includes a growing commitment to advancing potential treatment options for hematologic cancers. To accelerate development of potential therapies in immuno-oncology, we are making a special effort – in both discovery and early clinical development – to achieve our mission of speeding innovative cancer therapies to patients.

Discovery

The aim is to bring from discovery multiple new preclinical immuno-oncology candidates each year for the next several years. These could include both additional checkpoint control inhibitors (both *Yervoy* and *Opdivo* are members of this class), as well as monoclonal antibodies that act on other parts of the immune system (either by inhibiting or robustly activating targets).

The most promising of these preclinical leads would advance into human trials on an accelerated basis, testing them as monotherapies or in combination treatments for different tumor types, as well as seeking to expand the number of patients who respond to specific immunotherapy treatments.

The plan also is to bring many of these potential treatments through discovery and development in parallel, rather than sequentially – to test many hypotheses at the same time to bring the safest and most effective treatments to patients sooner. The company's International Immuno-Oncology Network of academic research institutions as well as other collaborations will be important partners in identifying appropriate patient populations and potentially effective combination therapies so that the right drugs get to the right patients, while also continuing to enhance our understanding of this emerging science.

Clinical Development

Beyond *Yervoy* and *Opdivo* there are already several investigational immuno-oncology agents in early- and late-stage clinical development. Among this potential next wave are:

- Elotuzumab, currently in Phase III trials, a humanized antibody that is directed against a specific surface protein – Signaling Lymphocytic Activation Molecule-F7 (SLAMF7) – expressed at high levels on myeloma cells, leading to immune destruction of these cancer cells by the immune system's natural killer cells.
- Urelumab, an anti-CD137 antibody that delivers a co-stimulatory signal to activate and enhance the functioning of different types of immune system cells.
- Lirilumab, which binds to KIR, an inhibitory pathway, is designed to remove a block to activating immune cells. Lirilumab is being studied in combination with both *Yervoy* and *Opdivo*, which activate other immune system responses.
- Anti-LAG3, a monoclonal antibody that inhibits LAG-3 signaling, thus enhancing T-cell function, promoting the host's immune response and potentially enhancing the efficacy of other T-cell-targeted therapies.

"TO SOMEONE WHO'S ALWAYS TAKEN CARE OF HERSELF, IMMUNOTHERAPY MADE PERFECT SENSE."

WE WORK FOR *Judy*

Judy Matusic-Mullins, of Bethlehem, Pennsylvania, has worked as a registered nurse for 43 years, so when a CT scan three and a half years ago revealed a ball-sized kidney tumor invading the inferior vena cava, the body's largest vein, she knew she needed surgery immediately. And when, nine months later, a scan found cancer infiltrating her lungs, she thought, "I knew this was bad. I had five years, max."

So she "slipped into professional mode," she says, advocating for herself, as she had done professionally for children suffering trauma and abuse. "I used my resources to find the right treatment team," Judy recalls. "Being depressed and withdrawing wastes precious time. If what I had was five years, I wanted to live them to the fullest with my husband – and continue working with and helping others."

Her oncologist at Fox Chase Cancer Center in Philadelphia offered the one position left in a clinical trial combining two Bristol-Myers Squibb immunotherapies – ipilimumab and nivolumab. "To someone who's always taken care of herself, immunotherapy made perfect sense," she says. Following treatment, scans revealed shrinkage in the over 100 spots in her lungs. Most recently, the scans have remained completely clear.

Now, with a full year of good results, Judy reflects how she had put her life on hold. "I worked full-time, but didn't do anything else," she says. "I held back on living."

No longer. "I just signed up for hot yoga classes," Judy adds. "My oncologist reminds me I have a diagnosis of incurable kidney cancer – but one that is responding positively to treatments. I've got a pumped-up immune system, and I intend to be a force to contend with within the universe."

A Look Toward the Future

ONE IMPORTANT FOCUS IS ON FIBROTIC DISEASES

FIBROTIC DISEASES ARE CHARACTERIZED BY THE BUILDUP OF POTENTIALLY DEADLY SCAR TISSUE IN DIFFERENT ORGANS OF THE BODY. RESEARCHERS ARE SEEKING NEW AND BETTER WAYS TO INHIBIT THE PATHWAYS CENTRAL TO FIBROTIC DISEASE PROGRESSION.

THE EVOLUTION OF BRISTOL-MYERS SQUIBB'S R&D STRATEGY, announced in late 2013, has focused on exploring disease areas of highest unmet medical need where the company can bring the greatest value to patients. Since then, the company has continued to advance its late-stage pipeline and current growth drivers, while increasing investment in immuno-oncology, an area of significant potential, and continuing to focus on targeted oncology research, including antibody drug conjugate programs. Research efforts – especially in the earliest stages of discovery – are concentrated in virology, cardiovascular disease (with a specific focus on heart failure), immunoscience, fibrotic diseases, and a new area called genetically defined diseases (GDD). During 2014, programs in each of these areas advanced candidates, many first- or best-in-class, and some potentially transformational in nature. Each therapeutic area relies on a mix of internal discovery as well as external collaborations to help deliver potential therapies to patients. And in areas that include immunoscience, immuno-virology and immuno-oncology, synergies are explored, learnings shared and science advanced.

Oncology

Even with the company's unprecedented focus on immuno-oncology, studies of more traditional oncology agents that can target cancer cells directly are also underway. For example, a trial that combines *Sprycel* (dasatinib), for chronic myeloid leukemia, with *Opdivo* (nivolumab), an immuno-oncology agent, is exploring additional benefits for patients. And after years of refining technologies, the company is planning to enter clinical trials in 2015 with the first of its antibody drug conjugates, which link potent cytotoxics to monoclonal antibodies targeted to specific tumor cells. The company is also investigating targeted therapies that focus on Notch inhibitors (to block a powerful pathway that promotes tumor cell survival) and anti-CXCR4 monoclonal antibodies for certain other cancers.

External development is key. In late 2014, an agreement gave Bristol-Myers Squibb the exclusive option to acquire F-star Alpha Ltd., a U.K. biotechnology company, and gain worldwide rights to FS102, its lead asset. FS102 is a novel human epidermal growth factor receptor 2 (HER2) targeted therapy in development for breast and gastric cancers among certain patients who do not respond or become resistant to current therapies.

Virology

Bristol-Myers Squibb was the first company with an all-oral and interferon- and ribavirin-free hepatitis C treatment regimen, based on our potent pan-genotypic NS5A complex inhibitor (in vitro) *Daklinza* (daclatasvir), that provides a cure for a large number of patients in Japan. Indeed, discoveries from company researchers have helped transform the way hepatitis C patients are being treated. New treatment options from many companies – including Bristol-Myers Squibb – today offer the possibility of cures for large numbers of patients with hepatitis C. Still, challenges remain, including helping the most difficult-to-treat hepatitis C patients – those with HIV co-infections, advanced liver disease, less common genotypes, or liver transplants. Bristol-Myers Squibb, already a pioneer in the field, is also focusing on those target populations, who represent the greatest remaining unmet medical need.

For example in late 2014, data from a landmark trial investigating a ribavirin-free 12-week regimen of Bristol-Myers Squibb's *Daklinza* with Gilead's sofosbuvir in genotype 3 patients, the second most common genotype worldwide and among the most difficult to treat, showed remarkable results: sustained virologic response (generally considered

Research and Development Pipeline

Immuno-Oncology

Phase I

Anti-LAG3
Lirilumab
Urelumab
Opdivo✧
-Additional Tumors and Combinations

Phase II

Elotuzumab✧
-2nd-line Multiple Myeloma Bortezomib Combination
Opdivo✧
-3rd-line Squamous Non-Small Cell Lung
-Non-Hodgkin's Lymphoma (follicular lymphoma)
-Non-Hodgkin's Lymphoma (diffuse large B-cell lymphoma)
-Hodgkin's Lymphoma
-MSI+ Colon
-Esophageal▲
Yervoy
-Ovarian
-Adolescent Melanoma

Registrational

Elotuzumab✧
-1st-line Multiple Myeloma Lenalidomide Combination
-Relapsed/Refractory Multiple Myeloma Lenalidomide Combination
Opdivo✧
-1st-line Melanoma
-2nd-line Squamous Non-Small Cell Lung
-2nd-line Non-Squamous Non-Small Cell Lung
-1st-line Non-Small Cell Lung (PD-L1+)
-2nd/3rd-line Renal Cell Carcinoma
-2nd-line Head & Neck
-Glioblastoma
-Gastric▲
Opdivo✧ + *Yervoy*
-1st-line Melanoma
-1st-line Renal Cell Carcinoma
Yervoy
-1st-line Squamous Non-Small Cell Lung
-1st-line Small Cell Lung
-Adjuvant Melanoma
-Metastatic Melanoma Dose Optimization
-Prostate (post-hormonal therapy)

Oncology

Phase I

Notch Inhibitors
Ulocuplumab (Anti-CXCR4)
Anti-Fucosyl GM1
Anti-HER2

Phase II

Sprycel✧
-Pediatric

Immunoscience

Phase I

Anti-CD40L
Anti-CD40
BTK Inhibitor
IRAK4 Inhibitor
S1P1 Agonist

Phase II

Lulizumab
-Lupus

Registrational

Orencia
-Lupus Nephritis
-Psoriatic Arthritis
-Rheumatoid Arthritis Auto Injector
Nulojix
-Switch from Calcineurin Inhibitor Renal Transplant

Virology

Phase I

Anti-PD-L1

Phase II

HIV Maturation Inhibitor

Registrational

HIV Attachment Inhibitor
Daclatasvir + Asunaprevir + Beclabuvir (NS5B Non Nuc)
-Hepatitis C
Daklinza + *Sunvepra*
-Hepatitis C Naïve
Reyataz
-Pediatric Powder

Cardiovascular

Phase I

PAR4 Antagonists
Factor XIa Inhibitor
Eliquis✧
-Pediatric

Phase II

IKur Inhibitor
-Atrial Fibrillation

NEXT IN THE HIV PIPELINE

Bristol-Myers Squibb was among the early pioneering companies to develop direct-acting antiretroviral (ARV) treatments for patients with HIV/AIDS — treatments helping transform HIV from a death sentence to a chronic condition. In January 2015, the company received approval to market *Evotaz* (atazanavir and cobicistat) for the treatment of HIV-1 infection in adults. It combines the proven strength of *Reyataz* (atazanavir) with the newly approved boosting agent cobicistat, which reduces the pill burden without sacrificing efficacy. Yet the battle is far from over. Among the most serious concerns are the growing numbers of patients with treatment experience who have become resistant to almost all ARVs. Some have no remaining options. Thus, therapies are needed that offer increased safety, tolerability, and new ways to suppress the virus. Company researchers also hope to potentially transform the treatment of HIV altogether and eventually develop a functional cure that would allow the immune system to control HIV without the use of antiretroviral agents.

In our pipeline are several new approaches. Most advanced is an HIV attachment inhibitor developed by company researchers more than a decade ago and scheduled to start Phase III trials in 2015. It's the first mechanism of action developed that binds directly to a key site on the HIV envelope, thus preventing the virus from attaching and entering the patient's main immune system CD4 T-cells.

Earlier in the pipeline is an HIV maturation inhibitor, which, as its name implies, prevents the virus from maturing. Recognizing its potential, company scientists were able to advance it from discovery to the clinic in just five years.

Both potentially offer new options and mechanisms of action along with the potential of long-term safety and tolerability for patients. New mechanisms of action also increase the ability to formulate new and more versatile regimens.

Further out is the development of potentially new immuno-virologic treatments. An early study in HIV patients, in collaboration with the NIH's AIDS Clinical Trials Group, will evaluate an immunotherapy developed at Bristol-Myers Squibb, and in combination with other agents. While still in its earliest stages, it is hoped that this approach, when combined with other agents, could help to first expose the virus to the immune system, and then activate the immune system to kill it.

Fibrotic Diseases

Phase I

CCR2/5 Antagonists
Galectin-3 Inhibitor✧

Phase II

LPA1 Antagonist
-Pulmonary Fibrosis
CCR2/5 Antagonist
-Diabetic Kidney Disease

Genetically Defined Diseases

Phase I

Anti-Myostatin
Anti-eTau

Metabolics

Phase I

MGAT2 Inhibitor

Phase II

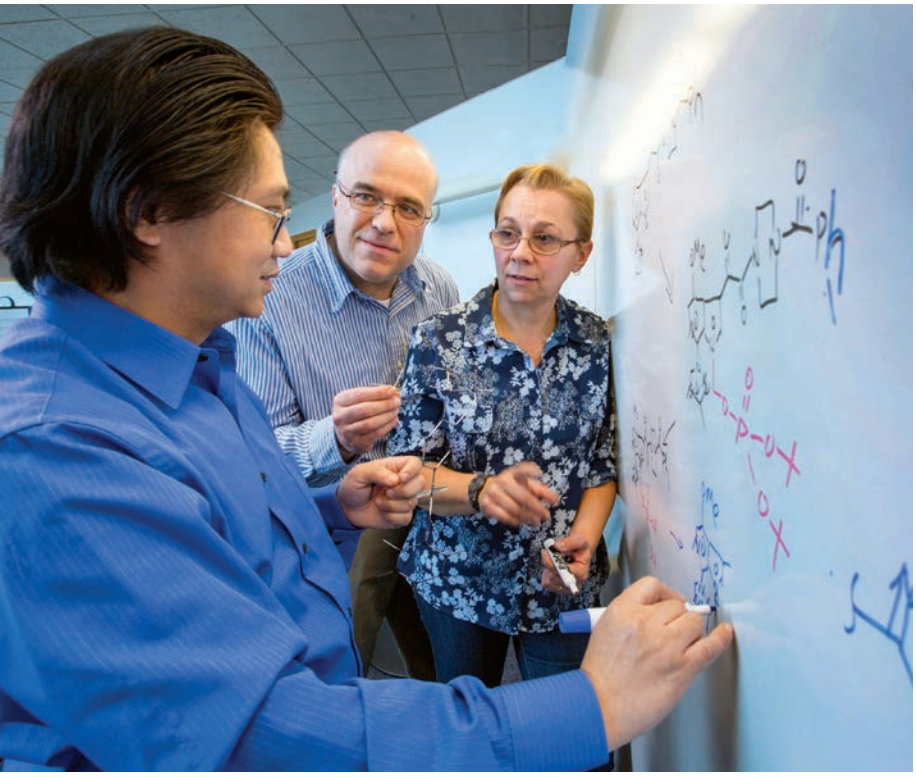
PEG-FGF21
-Diabetes

✧**Development Partnerships:** *Opdivo:* Ono Pharmaceutical; Elotuzumab: AbbVie; Lirilumab: Innate Pharma; *Sprycel:* Otsuka; Anti-HER2: F-star Alpha Ltd.; *Eliquis*: Pfizer; Galectin-3 Inhibitor: Galecto Biotech AB

▲**Partner-run study**

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.

Pipeline data as of February 1, 2015



a functional cure) in 90 percent of treatment-naïve and 86 percent in treatment-experienced patients. Other related studies continue to examine options for other difficult-to-treat patients.

In addition, discovery efforts continue to seek potentially transformational therapies in HIV/AIDS (see story on page 18) and hepatitis B. For example, company scientists are looking to advances in immuno-virology to eventually increase cure rates for hepatitis B and potentially deliver a functional cure for HIV. While current treatments for hepatitis B and HIV suppress the virus from replicating in most patients, these drugs have to be taken for the rest of a patient's life – and sometimes lead to resistant strains. One approach being considered to overcome those challenges is to use checkpoint inhibitors, originally developed for immuno-oncology, to reactivate an affected patient's immune system. A trial is already ongoing to study this approach in HIV.

Heart Failure and Other Cardiovascular Diseases

Bristol-Myers Squibb is making a major commitment to explore areas where there remains significant unmet need and the potential to bring important and, in some cases, transformational therapies to patients.

Combating heart failure is at the center of that focus. More than 13 million people suffer from some type of heart failure in the U.S., Europe and Japan, including 5 million in the U.S. alone. It is the number one reason for hospitalizations in the elderly. Unfortunately, about half of all patients die within five years of their initial diagnosis. And while there have been some advances to slow its progression, long-term disease modification has been much harder to achieve.

In 2011, the company announced a collaboration with Ambrx to develop derivatives of relaxin, a naturally occurring hormone that may aid heart failure patients by improving cardiac function. And with advances in basic and clinical science, novel targets for drug discovery and new approaches for known targets have expanded possibilities. Bristol-Myers Squibb researchers are beginning to vigorously explore new avenues, both internally and by developing additional external collaborations.

At the same time, company scientists have developed a robust pipeline of innovative therapies, including several in early-stage clinical trials for other important areas of cardiovascular disease. Among

WE WORK FOR *Tayjus*

If there ever was an example of someone – indeed of a family – being able to take a lemon and make it into lemonade, it's certainly 19-year-old **Tayjus Surampudi** and his remarkable family.

When he was just five, Tayjus was diagnosed with Duchenne muscular dystrophy (DMD), a rare genetic disorder that involves rapidly worsening muscle weakness and loss, for which there is no effective approved therapy. It is generally fatal by early adulthood. Yet after their initial shock and despair, his family learned to transform their dismay and fear into something altogether positive.

"You start out feeling hopeless and powerless," explains Aparna, his mother and a clinical programmer at Bristol-Myers Squibb who helps evaluate clinical trial results. "Then I began to understand that how we reacted to such a diagnosis is up to us. I started to take it a day at a time, to enjoy what we have and always look at the cup half full instead of half empty. That gave me and our family a new sense of empowerment. Now I'm the eternal optimist. Even though Tayjus couldn't run or jump like the other kids – and eventually would need a wheelchair and personal care assistance at school – cognitively he was fine. We kept telling him that people have different strengths and that he could do other things well."

Tayjus developed an abiding interest in government and public policy, and a passion for public service, seeking to help those less fortunate. He excelled in debate clubs, was a representative at model congresses, and joined several patient advocacy groups, eventually going to Washington, DC, to help lobby for muscular dystrophy research support and care.

This fall, he began his freshman year at Harvard College. He says the day he got his acceptance letter was simply the best day ever. "Sure, in the back of my head I worried about how I would manage five hours away from home for the first time in my life," he admits. But with lots of help, he has made it work. No wonder he counts FDR as a role model. "He also had a disability but is proof that anyone with a major obstacle can overcome it," Tayjus says. "Other people in similar situations have had successful and happy lives. And it's good to know that a company as big as Bristol-Myers Squibb is trying to do something for my condition, especially because it's the company where my mom works."

Thanks to advances in many areas of medicine, people with DMD are now living longer. Yet most treatments today are still only supportive. Fortunately research to develop disease-modifying therapies is underway, including at Bristol-Myers Squibb.

Tayjus's journey has been an eye-opener. "If you constantly tell yourself you are different, you become different," he says. "I have instead learned to emphasize my ability, not my disability. Being independent is a great feeling. So every day when I am able to feel that way is a really great day."

these are a novel antiarrhythmic and a third generation of antithrombotics. The antiarrhythmic agent specifically targets the heart's upper chambers and could help patients with atrial fibrillation, who need more treatment options. The antithrombotic agents include a Factor XIa anticoagulant and a PAR4 antiplatelet agent, both of which have the potential to be effective in preventing blood clots, with a significantly lower risk of bleeding compared with existing medicines. It is believed that these agents could play an important role in patients who have had a stroke or a heart attack.

Immunoscience

Researchers are building on learnings gained from successful treatments like *Orencia* (abatacept), for rheumatoid arthritis (RA), to seek entirely new mechanisms that are both innovative and differentiated not only for RA, but other immune-system disorders. The goal is to offer long-lasting remission in all these disease states. There are still significant unmet needs in RA, including the lack of response to existing drugs in some patients and lack of long-term remission in patients who do respond to therapy. *Orencia* continues to be studied in psoriatic arthritis and lupus nephritis.

Looking toward the future, the immunoscience group has developed a diversified portfolio of potential therapies that in many cases are either first- or best-in-class. By the end of 2014, new molecular entities to treat lupus, rheumatoid arthritis, lupus nephritis and vasculitis, among other auto-immune disorders, were in early human trials.

Using translational science to better understand individual patient responses to particular therapies is helping researchers uncover additional biological or molecular pathways for targeting. An intensified focus on biomarker identification has enabled these efforts. What's more, a diversified early pipeline features individual assets targeting a range of immunologic pathways, from cell signaling and co-stimulation to affecting immune system activation. The aim is to match emerging scientific understanding for targeting new pathways with a series of potential therapies.

In the clinic are a variety of agents that build on the company's leadership in co-stimulation inhibition. These first-in-class or best-in-class assets offer the opportunity to treat a wide variety of sentinel indications for autoimmune diseases that include immune thrombocytopenia (a bleeding disorder), Sjogren's syndrome (characterized by dry eyes and a dry mouth), and rheumatoid arthritis. Their use may eventually be studied for lupus, irritable bowel syndrome and ulcerative colitis. Among these is a first-in-class series of anti-CD40 co-stimulation inhibitors, potentially targeting an array of autoimmune diseases where there remains great unmet need. Another potentially first-in-class agent – a BTK inhibitor – is a potentially superior small-molecule approach to cell activation and cell signaling. Also, utilizing adaptive design principles, researchers are combining Phase IIa and Phase IIb into single trials to help speed therapies to patients, studying what may be a best-in-class CD28 antagonist – a T-cell co-stimulation inhibitor.

Fibrotic Diseases

Fibrotic diseases are characterized by the buildup of potentially deadly scar tissue in different organs of the body. Targets include diabetic kidney disease, idiopathic pulmonary fibrosis and NASH, a nonalcoholic fatty liver disease, which affects about 3 percent of the U.S. population, that can cause liver scarring, cirrhosis and liver cancer. Researchers are seeking new and better ways to inhibit the pathways central to fibrotic disease progression.

The acquisition of Amira Pharmaceuticals in 2011 provided an LPA1 antagonist, currently in Phase II trials, which targets one of the most important signals that drives fibrosis. Another potential therapy, a CCR2/5 antagonist, is being studied for diabetic kidney disease and is in Phase II trials as well. In late 2014, Bristol-Myers Squibb entered into an agreement for the option to acquire Galecto Biotech and gain worldwide rights to its lead asset, TD139, for pulmonary fibrosis. Other assets from Galecto focus on galectin proteins that are involved in various types of fibrosis.

Although there is a paucity of therapeutics to treat fibrotic diseases, the science in the pathophysiology of these diseases has burgeoned in the last decade or so. A large number of academic collaborations should aid discovery efforts by gaining access to disease tissue, biomarker databases and preclinical and animal models of fibrosis that involve the liver, kidney, lung and skin. Among these institutions are the Medical University of South Carolina, the University of Michigan, the University of Pennsylvania, Vanderbilt University, Mount Sinai Hospital and Cedars-Sinai Medical Center. Additionally, Bristol-Myers Squibb entered into a collaboration with the California Institute for Biomedical Research, which gives the company access to late discovery stage assets and access to novel targets discovered specifically to address the fibrotic pathways.

Genetically Defined Diseases (GDD)

It is estimated that there are more than 7,000 monogenic diseases – disorders that can be traced to a single gene defect or target. For many of these genetically defined diseases (GDD), there is no effective therapy and the unmet need is therefore very high. Developing therapies for these diseases, which are often rare or orphan, is attractive due to the potential to develop transformational therapies with smaller and shorter development programs. Since first announcing the company's intention to focus on genetically defined diseases last year, the GDD group has been working to prioritize which diseases to pursue. Progressive supranuclear palsy (PSP) and Duchenne muscular dystrophy (DMD) (see story on page 20) are included in the initial diseases of interest.

PSP is a relatively rare neurodegenerative disease where a protein called tau aggregates in the brain and causes the gradual deterioration of certain brain cells. It affects about 40,000 patients in the U.S. and about 5,000 patients in Europe. There are no approved treatments and most patients die within five years of diagnosis. In mid-2014, the company acquired iPierian, a California-based biotechnology firm that focuses on new treatments for tauopathies, the class of disease associated with a pathological aggregation of tau protein. Other potentially related tauopathies include frontotemporal dementia and Alzheimer's disease – both of which are much more prevalent than PSP. iPierian's lead asset, IPN007, is a monoclonal antibody that targets a molecular defect characteristic of PSP caused by a change in a patient's genome. Phase I trials began in 2014.

Duchenne muscular dystrophy, which affects about one in every 3,600 males by the age of five, is the result of a mutated gene on the X chromosome inherited from the mother that fails to produce virtually any functional dystrophin, a protein that helps keep muscle cells working properly. Bristol-Myers Squibb entered Phase I trials in 2014 with an anti-myostatin adnectin that preclinically increases muscle size by blocking myostatin, which otherwise negatively regulates skeletal muscle growth.

Our Corporate Responsibility

IN COMMUNITIES around the world, Bristol-Myers Squibb is focused on its responsibilities as a corporate citizen, promoting health equity and improving health outcomes through its Foundation, expanding global access to health care through global policy initiatives, reducing its environmental footprint and enhancing employee safety and diversity to meet its sustainability goals.

Bristol-Myers Squibb Foundation Focuses on Health Disparities

During 2014, the Bristol-Myers Squibb Foundation launched new philanthropic initiatives to address inequities in health care in lung cancer and access to specialty care for underserved populations in the U.S., while continuing to expand efforts to address cancer, hepatitis B and hepatitis C, and HIV/AIDS and co-morbidities around the world.

Lung cancer is the leading cause of cancer deaths in the U.S., with one in two patients dying within a year of diagnosis. This year, the Foundation's *Bridging Cancer Care* initiative, which since 2007 has addressed cancer disparities in Central and Eastern Europe, was expanded to focus on the southeastern U.S., a region with the country's highest lung cancer incidence and mortality rates. Innovative grant programs were initiated in Kentucky, the nation's hardest-hit state for this disease (see story on page 23 on the Foundation's groundbreaking $7 million program), and Georgia, with its higher rates of smoking and other tobacco use. In Georgia, a $1.74 million, three-year grant to the Georgia Regents University Cancer Center will seek to reduce the burden of lung cancer among minorities and underserved populations through prevention, early detection and help in getting proper care and supportive community services. The primary targets are adult African-American smokers and former smokers. To increase its effectiveness, much of the community outreach will take place with the aid of local community health workers in African-American faith communities.

The Foundation's second new grant-making initiative addresses barriers to access and utilization of specialty care services by vulnerable populations in the U.S. Grants and partnerships center on two areas. First is strengthening the capacity of safety net providers to deliver specialty care, including coordinating and expanding care collaborations between primary care providers and specialists and smoothing navigation of care. The second area focuses on developing and integrating navigation and social support services for patients so they can get to clinical appointments and be educated, supported and engaged in self-care outside the clinic.

In Africa, the Foundation's landmark *SECURE THE FUTURE* program celebrated its 15th anniversary of providing community-based care and support to people living with HIV/AIDS. On World AIDS Day in December, it announced an additional $1.47 million in grants to strengthen community-based services for adolescents living with AIDS and the elderly (in most cases the elderly are not living with HIV but are caring for grandchildren whose parents had died of AIDS), and for HIV patients who suffer co-morbidities, including female cancers and tuberculosis. The Foundation has committed more than $180 million to more than 250 projects throughout the region since *SECURE THE FUTURE* was launched in 1999.

The Foundation has turned its attention to a related area, targeting links between HIV and certain cancers. Today women living with HIV in Africa are more likely to die from cervical or breast cancer than they are from HIV. But awareness of cervical and breast cancers is low, and the potentially deadly consequences of cervical cancer are relatively unknown in the region. Yet women who have cervical cancer are twice as likely to be HIV-infected. Also, HIV-positive women develop cervical cancer 10 years earlier than women who are not infected. In response, the Foundation is working to raise awareness, building support for a number of programs primarily in partnership with Pink Ribbon Red Ribbon (or PRRR, which is a coalition led by the George W. Bush Institute), USAID, UNAIDS and the Susan G. Komen Foundation. The Bristol-Myers Squibb Foundation is a founding member of the PRRR coalition, which seeks to expand cervical screenings and treatments as well as breast care education. Efforts are already underway in Tanzania, Swaziland and Ethiopia, where cervical cancer is the leading cause of cancer-related deaths. In 2014, the Foundation began a collaboration with Cordaid, CUAMM (Doctors with Africa) and AMREF for an Ethiopian Female Cancer initiative, initially planning community interventions in two of the most densely populated regions in Ethiopia. The Foundation is also working with ENGAGE-TB and the World Health Organization's Global TB Programme in five countries in sub-Saharan Africa to strengthen community-based care for patients with tuberculosis (TB), including those who also have HIV. TB is a leading killer of people living with HIV.

Another area of Foundation focus is supporting care for high-risk patients with hepatitis B and hepatitis C in China and India. In December 2014, the Foundation awarded nine new grants totaling more than $3.5 million as part of its *Delivering Hope* program, which has established three Centers of Excellence – one in China and two in India – to replicate achievements (in hepatitis awareness, prevention and treatment) of more than 40 projects funded since 2002.

And in the U.S., the Foundation marked Veterans Day in November by announcing more than $2 million in new grants to support programs that help post-9/11 veterans and their families transition from military to civilian life.

Expanding Global Access to Medicines

At the core of our company's mission is addressing unmet medical need in specific diseases and therapeutic areas, including those of special concern in parts of the developing world. The most recent of a number of strategies to accomplish this was announced in October 2014 for *Daklinza* (daclatasvir), our new hepatitis C medicine.

The World Health Organization estimates that hepatitis C virus infection globally affects as many as 185 million people, as well as their families and communities. More than 80 percent of those infected live in low- and middle-income countries. Recognizing the disproportionate burden of this disease and seeking to increase access to treatments, the company announced a plan that includes tiered pricing and licensing. Tiered pricing of *Daklinza* takes into consideration a nation's economic development, burden of disease and commitment to address hepatitis C. In addition, the strategy includes voluntary licensing of our daclatasvir patents and know-how in 90 countries.

Since 1999, Bristol-Myers Squibb also has been implementing access strategies in countries significantly challenged by HIV/AIDS. The company was a founding member of the Accelerating Access Initiative, a collaboration of stakeholders seeking to increase access to life-saving antiretrovirals in sub-Saharan Africa and other countries severely impacted by HIV. Over the past 14 years, we have supplied more than 9 million packs/bottles of *Zerit* (stavudine), *Videx* (didanosine) and *Reyataz* (atazanavir) in sub-Saharan Africa and low-income countries through our Global HIV Access Program. Since 2001, the company also entered into agreements with generic medicines manufacturers so that they too could help in the fight against HIV/AIDS. In 2006, Bristol-Myers Squibb was one of the first companies to work alongside generic manufacturing licensees, helping them rapidly learn how to manufacture atazanavir for use in sub-Saharan Africa and India. Demand for atazanavir is projected by some to grow nine-fold over the next decade, primarily in the developing world. That's why in 2013 the company entered into a licensing and technology transfer agreement with the Medicines Patent Pool (MPP), an organization aiming to expand access to HIV medicines in the developing world. The agreement covers 110 low- and middle-income countries. Over the past year, four sub-licenses have been granted while the company continues to collaborate with MPP on important initiatives, including bringing a suitable formulation of atazanavir to pediatric patients.

Advancing Environmental and Social Sustainability

Bristol-Myers Squibb ranked first on Corporate Responsibility magazine's 2014 list of "100 Best Corporate Citizens," has ranked among the top 10 in each of the last six years and is the only company to achieve the number one ranking three times. Contributing to these achievements are programs to reduce energy and water consumption, an emphasis on employee diversity and safety, a focus on significant expectations for suppliers, and increased transparency.

◀ *Oncology social worker Angie Pennington (left) reviews survivorship care options with cancer survivor Jackie Trigg at the Psych-Oncology Services Center of the University of Kentucky's Markey Cancer Center.*

REDUCING BURDEN OF LUNG CANCER IN KENTUCKY

Lung cancer kills more Americans than breast, prostate and colon cancers combined. Nationwide, Kentucky leads in lung cancer mortality and lung cancer incidence and has the highest rate of adult smokers. This year, lung cancer will take more than 3,500 lives in that state. To address this national problem and serve as a demonstration model for other states, the Bristol-Myers Squibb Foundation's *Bridging Cancer Care* program is supporting a first-of-its-kind initiative to encourage early detection and treatment of lung cancer, combined with provider education and patient support, through a $7 million, three-year grant.

Dr. Jamie Studts, of the University of Kentucky, directs the Kentucky LEADS Collaborative, which brings together an interdisciplinary team of community partners and lung cancer prevention and control experts to assess novel approaches to lung cancer care. The aim is to improve survival, while also developing and evaluating interventions that enhance quality of life and survivorship for individuals with lung cancer and their caregivers.

"Our aim is to create more lung cancer survivors," Studts says. "One way is to help primary care providers get the information they need to offer high-quality lung cancer control to the population, including evidence-based tobacco treatment methods." The program also seeks to reduce the stigma attached to lung cancer patients, who are often seen as being responsible for their disease. Finally, training and assistance is being provided to ensure that high-quality lung cancer screening is being delivered at every screening site statewide.

For the fourth year in a row, Bristol-Myers Squibb has been named a leader for climate change transparency. It was listed in the S&P 500 Climate Disclosure Leadership Index for the depth and quality of climate change data given to investors and the global marketplace through the Carbon Disclosure Project, the only global environmental disclosure system.

In 2014, Bristol-Myers Squibb received the USEPA ENERGY STAR® Certified Building label for three buildings at its Plainsboro, NJ, facility, and completed energy assessments at all its major facilities. One example of energy minimization is the Manatí, Puerto Rico, Chilled Water Optimization Project, which will annually save $1 million, over 167,000 MMBTUs in energy, and reduce CO_2 emissions by about 9 million kilograms. Since 2010, the company has completed 238 energy-related projects, generating annual average savings of $13.1 million. During 2014 alone, it either completed or had in progress 60 sustainability projects.

The company also has a significant portfolio of solar and co-generation projects. At its Hopewell, NJ, facility, a recently installed solar energy system atop a parking deck produces enough energy to power 80 homes and reduce greenhouse gas emissions by about 476 tons a year. The company uses a portion of the energy, with the remainder provided to the regional power grid. Also, a new co-generation system there is expected to reduce carbon emissions by 7,300 tons a year. Companywide energy savings in 2014 reduced greenhouse gas emissions by 9,790 metric tons. That is equivalent to removing more than 2,000 passenger vehicles from the road.

Significant progress continues in improvements in packaging, logistics and supply-chain sustainability. For example, last year a U.S. Logistics team worked with one of its U.S. commercial distribution partners to consolidate 29 separate distribution centers into one. With the company now delivering all its products for the U.S. market to a central location, it saves about $1.9 million in transport costs annually while significantly reducing carbon emissions.

Reducing the environmental impact of product packaging wherever possible is a high priority. In Japan, the size of an *Orencia* (abatacept) carton was reduced by 45 percent, and for certain markets, the outer paperboard carton for *Reyataz* will be eliminated. With reusable cold-chain packaging, we've reduced landfill waste in Australia by 100 tons a year, earning special recognition from the Australian Packaging Covenant. New suppliers who share eco-friendly goals are expected to incorporate similar features during product design.

The company makes a positive impact in building design as well. Bristol-Myers Squibb's ZymoGenetics R&D subsidiary in Seattle, Washington, where many of our biologics are developed, is among an elite group of laboratories to earn the U.S. Green Building Council's Leadership in Energy and Environment Design (LEED) Silver certification for existing buildings. The facility has focused on water and energy efficiency, indoor air quality, green cleaning and ensuring that the durable goods purchased by the facility are sustainable. Systems upgrades at the Seattle site have helped reduce water and electricity usage by 17 percent each and natural gas usage by 38 percent.

Many efforts also seek to ensure the safest working environment for company employees. To strengthen our safety culture and capabilities, Global Manufacturing and Supply is deploying the DuPont Safety Training Observation Program (STOP), a behavioral safety training program to help supervisors and employees identify and eliminate unsafe work practices and conditions. Twelve manufacturing facilities globally are participating.

TANZANIA CLEAN WATER PROJECT

The fact that 50,000 children under the age of five die each year from water-related diseases in Tanzania is palpable evidence of an urgent need to do much more to improve sanitary conditions there. Thanks to a grant from the Bristol-Myers Squibb Foundation developed in cooperation with the company's Environment, Health, Safety and Sustainability department, about 100,000 people in rural Tanzania will benefit from an expansion of Global Sustainable Partnerships' (GSP's) efforts to improve access to clean and safe drinking water in the countryside.

Funding is helping GSP to install 400 Hydraid® BioSand Water Filters in 18 rural villages over a nine-month period, including at dozens of local primary and secondary schools, thus reducing biological contamination and producing water that is safe for drinking, food preparation, personal hygiene and sanitation. During the past few months GSP already has begun delivering these simple lightweight filters to the first 30 schools while also disseminating an award-winning curriculum to train teachers, students, women and key community leaders on how to build local capacity and encourage healthy habits in homes, clinics and schools. Tanzania's president also hopes to use the installation of filters in schools to help students better understand the linkages between science and technology and as a first step to create laboratories in school buildings.

Bristol-Myers Squibb | 2014 Financial Report

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 biopharmaceutical company whose mission is to discover, develop and deliver innovative medicines that help patients prevail over serious diseases.

We continue to evolve our business to a leading diversified specialty biopharma company. The evolution was accelerated as a result of the diabetes business divestiture and continued focus on certain therapeutic areas, including immuno-oncology. The following provides a brief summary of certain key events in 2014, as discussed in more detail throughout this report.

Opdivo was approved in the U.S. and Japan for unresectable or metastatic melanoma, and we announced positive results from certain other studies in melanoma, lung, Hodgkin Lymphoma and renal cell carcinoma. Several clinical collaborations were also entered into by us to seek opportunities to strategically combine *Opdivo* with other targeted agents in more than a dozen tumor types. *Eliquis* obtained an important label extension in 2014. We received regulatory approvals for our Hepatitis C Franchise, including *Daklinza* in the EU and our dual regimen of *Daklinza* and *Sunvepra* in Japan. Several business development transactions were completed in 2014, to advance our pipeline in other therapeutic areas, including fibrosis and genetically defined diseases. We are also expanding our biologics manufacturing capacity at Devens, Massachusetts and announced plans to build a new facility in Ireland.

Our revenues decreased by 3% in 2014 as a result of the diabetes business divestiture, exclusivity losses and expiration of rights partially offset by higher sales of key products, including recently launched products in certain markets. Our focus to optimize global brands and key markets accelerated growth of several key products. *Eliquis* sales increased in 2014 by $628 million following its global launch in 2013. *Yervoy* sales increased by 36%, or $348 million, from continued penetration in the U.S. community-based setting and first line indication and improved access internationally. Hepatitis C Franchise sales were $256 million following launches in Japan and certain EU countries. We expect these products will continue to grow in 2015 along with *Orencia, Sprycel* and recently launched *Opdivo* which will partially offset revenue reductions resulting from the expiration of certain rights pertaining to *Abilify** in the U.S., royalty and alliance agreements, exclusivity losses for *Baraclude* in the U.S. and changes in foreign currency rates.

Higher pension and research and development related charges contributed to the reduction of GAAP EPS from $1.54 in 2013 to $1.20 in 2014. Non-GAAP EPS increased from $1.82 to $1.85. Proceeds from the diabetes divestiture increased cash and marketable securities by $3.5 billion.

Highlights

The following table summarizes our financial information:

	Year Ended December 31,		
Dollars in Millions, except per share data	**2014**	2013	2012
Total Revenues	**$ 15,879**	$ 16,385	$ 17,621
Total Expenses	**13,498**	13,494	15,281
Earnings before Income Taxes	**2,381**	2,891	2,340
Provision for/(Benefit from) Income Taxes	**352**	311	(161)
Effective tax/(benefit) rate	***14.8%***	*10.8%*	*(6.9)%*
Net Earnings Attributable to BMS			
GAAP	**2,004**	2,563	1,960
Non-GAAP	**3,085**	3,019	3,364
Diluted Earnings Per Share			
GAAP	**1.20**	1.54	1.16
Non-GAAP	**1.85**	1.82	1.99
Cash, Cash Equivalents and Marketable Securities	**11,843**	8,272	6,352

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."

Strategy

We continue to transform BMS into a leading diversified specialty 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 developing new medicines in the following core therapeutic areas: oncology, virology, immuno-oncology, specialty cardiovascular disease, fibrosis and genetically defined diseases. 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. During 2014, we announced multiple regulatory milestones in the U.S. and European Union (EU) for *Opdivo* (nivolumab), an investigational PD-1 immune checkpoint inhibitor. We continue to invest significantly in our deep pipeline of innovative medicines covering a broad array of cancers and have entered into several collaboration agreements to research and develop *Opdivo* and other approved or investigational oncology agents in combination regiments.

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 2014 revenues of approximately $1.3 billion, and other products such as *Sprycel* (dasatinib) and *Erbitux*® (cetuximab). Beyond oncology, we remain strongly committed to *Eliquis* (apixaban) which launched globally in 2013 via our alliance with Pfizer, Inc (Pfizer). *Eliquis* received regulatory approval in the U.S. and EU for the treatment of deep vein thrombosis (DVT) and pulmonary embolism (PE) in adults, among other related indications. We also continue to support key brands in our virology franchise such as *Reyataz* (atazanavir sulfate) and *Baraclude* (entecavir). In 2014, we achieved several regulatory milestones for our hepatitis C portfolio and launched the *Daklinza* (daclatasvir) and *Sunvepra* (asunaprevir) dual regimen in Japan and launched *Daklinza* in the EU. In addition, we continue to invest in *Orencia* (abatacept) which accounted for approximately $1.7 billion in revenues in 2014.

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, focusing on prioritized markets, increasing investments in our biologics manufacturing capabilities, maintaining a culture of continuous improvement and pursuing disciplined capital allocation, including through business development.

Product and Pipeline Developments

Our R&D programs are managed on a portfolio basis from early discovery through late-stage development. We continually evaluate our portfolio to ensure that there is an appropriate balance of early-stage and late-stage programs to support future growth. Our R&D programs in Phase III development are considered 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 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. Our late-stage development programs could potentially have an impact on our revenue and earnings within the next few years, although we do not expect all of our late-stage development programs to make it to market. The following are the recent significant developments in our marketed products and our late-stage pipeline:

Opdivo (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. *Opdivo* is part of our alliance with Ono.

Unresectable (inoperable) or metastatic (advanced) melanoma

- In December 2014, the Company announced that the U.S. Food and Drug Administration (FDA) approved *Opdivo* for the treatment of unresectable or metastatic melanoma and disease progression following *Yervoy* (ipilimumab) and, if BRAF V600 mutation positive, a BRAF inhibitor. This indication is approved under accelerated approval based on tumor response rate and durability of response. Continued approval for this indication may be contingent upon verification and description of clinical benefit in the confirmatory trials.
- In November 2014, the Company announced results from CheckMate-066, a Phase III randomized double blind study, comparing *Opdivo* to the chemotherapy dacarbazine (DTIC) in patients with treatment naïve BRAF wild-type advanced melanoma (n=418). The study met the primary endpoint of overall survival (OS) with the median OS not reached for *Opdivo* versus 10.8 months for DTIC. The one-year survival rate was 73% for *Opdivo* versus 42% for DTIC and there was a 58% decrease in the risk of death for patients treated with *Opdivo* (Hazard Ratio for death [HR]: 0.42, P<0.0001). This survival advantage was also observed in *Opdivo*-treated patients in both PD-L1 positive and PD-L1 negative patients.
- In September 2014, the Company announced results from CheckMate-037, a Phase III randomized, controlled open-label study of *Opdivo* versus investigator's choice chemotherapy (ICC) in patients with advanced melanoma who were previously treated with *Yervoy*. Based on a planned interim analysis of the co-primary endpoint, the objective response rate was 32% (95% CI = 24, 41) in the *Opdivo* arm (n=120) and 11% (95% CI = 4, 23) in the ICC reference arm (n=47) in patients with at least six months of follow up.

- In September 2014, the European Medicines Agency (EMA) validated for review the Marketing Authorization Application (MAA) for *Opdivo* in advanced melanoma. The application has also been granted accelerated assessment by the EMA's Committee for Medicinal Products for Human Use (CHMP).
- In June 2014, the Company announced that a randomized blinded comparative Phase III study evaluating *Opdivo* versus dacarbazine in patients with previously untreated BRAF wild-type advanced melanoma (CheckMate-066) was stopped early because an analysis conducted by the independent Data Monitoring Committee (DMC) showed evidence of superior OS in patients receiving *Opdivo* compared to the control arm. Patients in the trial will be unblinded and allowed to cross over to *Opdivo*.
- In June 2014, the Company announced follow up results from a Phase Ib dose-ranging trial evaluating the safety and activity of the combination regimen of *Opdivo* and *Yervoy* given either concurrently or sequentially in patients with advanced melanoma (Study-004, n=127). After an additional year of follow up of the cohort that received the concurrent combination regimen of *Opdivo* 1 mg/kg plus *Yervoy* 3 mg/kg (n=17), the one-year OS rate was 94% and the two-year OS rate was 88%. These are the doses used in the ongoing Phase II and Phase III melanoma trials, CheckMate-069 and -067. No new safety signals were reported in the concurrent combination cohorts with additional follow up (n=53).
- In May 2014, the Company announced updated survival data from the advanced melanoma cohort (n=107) of the expanded Phase Ib dose-ranging study of *Opdivo*, administered as a single agent (Study-003). Results showed sustained activity in this heavily pre-treated patient population as defined by two- and three-year survival rates of 48% and 41%, respectively, across dose cohorts.

Non-small cell lung cancer

- In January 2015, the Company announced that an open-label, randomized Phase III study evaluating *Opdivo* versus docetaxel in previously treated patients with advanced squamous cell non-small cell lung cancer (NSCLC) was stopped early because an assessment conducted by the independent DMC concluded that the study met its endpoint, demonstrating superior OS in patients receiving *Opdivo* compared to the control arm. The Company will share this data – which for the first time indicate a survival advantage with an anti-PD1 immune checkpoint inhibitor in lung cancer – with health authorities.
- In October 2014, the Company announced results from CheckMate-063, a Phase II single-arm, open-label study of *Opdivo*, administered as a single agent in patients with advanced squamous cell NSCLC who have progressed after at least two prior systemic treatments with 65% receiving three or more prior therapies (n=117). With approximately 11 months of minimum follow up, the objective response rate (the study's primary endpoint) was 15% (95% CI = 8.7, 22.2), as assessed by an independent review committee (IRC) using RECIST 1.1 criteria and the median duration of response was not reached. The estimated one-year survival rate was 41% (95% CI = 31.6, 49.7) and the median overall survival (mOS) was 8.2 months (95% CI = 6.05, 10.91).
- In September 2014, the EMA validated for review the MAA for *Opdivo* in advanced squamous cell NSCLC, the first completed regulatory submission for a PD-1 immune checkpoint inhibitor in this tumor type.
- In May 2014, the Company announced results from a Phase Ib study evaluating the safety and efficacy of *Opdivo* as a single agent in patients with advanced squamous cell NSCLC who were previously treated (Study-003) and a Phase Ib study evaluating *Opdivo* as a single agent in chemotherapy-naïve patients (CheckMate-012). In Study-003, the two-year survival rate was 24% across doses (n=129) for previously-treated patients who received *Opdivo* as a single agent and highest at 45% in patients who received the 3 mg/kg dose (n=37). In CheckMate-012, the overall response rate was 50% in PD-L1 positive tumors and 0% in PD-L1 negative tumors for chemotherapy-naïve patients who received *Opdivo* as a single agent (n=20). The types of treatment-related serious adverse events (SAEs) in CheckMate-012 were consistent with those in other *Opdivo* trials with 15% of patients experiencing grade 3-4 treatment-related SAEs. CheckMate-012 is a multi-arm study evaluating *Opdivo* as both monotherapy and in combination with other agents.
- In April 2014, the Company met with the FDA regarding the results of Study-063, which evaluated *Opdivo* in third-line squamous cell NSCLC, and initiated a rolling submission for this indication based on Study-063. The Company completed the rolling submission in December 2014.

Other indications

- In December 2014, the Company announced results from a cohort of patients in its ongoing Phase Ib trial (CheckMate-039) which evaluated *Opdivo* in patients with relapsed or refractory hematological malignancies (n=23). Results showed high levels of response in patients with relapsed or refractory classical Hodgkin Lymphoma (HL), with an overall response rate of 87% (n=20) and stable disease in 13% (n=3).
- In May 2014, the Company announced that the FDA has granted *Opdivo* Breakthrough Therapy Designation for the treatment of patients with HL after failure of autologous stem cell transplant and brentuximab.

- In May 2014, the Company announced results from a Phase II and a Phase Ib study of *Opdivo* in patients with advanced or metastatic renal cell carcinoma. In the Phase II CheckMate-010 dose-ranging trial (n=168), the overall response rates for *Opdivo* as a single agent ranged from 20-22% with a one-year survival rate that ranged from 63-72% in patients who received prior anti-angiogenic treatment. In the Phase Ib CheckMate-016 trial, overall response rate for the investigational combination regimen of *Opdivo* and *Yervoy* (n=44) ranged from 43-48% with a 24-week progression free survival rate that ranged from 64-65% in previously treated and treatment-naïve patients.

Hepatitis C Portfolio - *Daklinza* (Daclatasvir (DCV)) - an NS5A replication complex inhibitor; *Sunvepra (*Asunaprevir (ASV)) - an NS3 protease inhibitor; Beclabuvir (BCV) - an NS5B non-nucleoside polymerase inhibitor in development

- In February 2015, the FDA notified the Company of its intention to rescind the Breakthrough Therapy Designation for certain genotype 1 Hepatitis C regimens related to daclatasvir and other investigational BMS therapies. This will not impact our current submission/resubmission timetable of the new drug application for daclatasvir in combination with other antiviral agents for the treatment of Hepatitis C.
- In November 2014, the Company announced that the FDA has issued a Complete Response Letter (CRL) regarding the New Drug Application (NDA) for DCV in combination with other agents for the treatment of hepatitis C virus (HCV). The initial DCV NDA submitted to the FDA focused on its use in combination with ASV. Given the withdrawal of ASV by BMS in October, the FDA is requesting additional data for DCV in combination with other antiviral agents for the treatment of HCV. BMS is in discussions with the FDA about the scope of these data.
- In November 2014, the Company announced results from the UNITY Trial program investigating a 12-week regimen of its all-oral DCV-TRIO regimen – a fixed-dose combination of DCV with ASV and BCV (DCV-TRIO) – in a broad range of patients with genotype 1 HCV. The primary endpoint for both studies was the percentage of patients who achieved a cure, defined as HCV RNA<LLOQ TD/TND at post-treatment week 12 for treatment-naïve and treatment-experienced patients. The UNITY-2 study, which evaluated cirrhotic patients in a 12-week regimen of the DCV-TRIO, showed sustained virologic response at 12 weeks after treatment (SVR12) among 98% of treatment-naïve and 93% of treatment-experienced cirrhotic patients with ribavirin (RBV) and 93% of treatment-naïve and 87% of treatment-experienced cirrhotic patients without RBV.
- In November 2014, the Company announced results from the landmark ALLY Trial investigating a ribavirin-free 12-week regimen of DCV in combination with sofosbuvir (SOF) in genotype 3 HCV patients, a population that has emerged as one of the most difficult to treat. The results of the study showed sustained virologic response 12 weeks after treatment (SVR12) in 90% of treatment-naïve and 86% of treatment-experienced patients. SOF is a product of Gilead Sciences, Inc. (Gilead).
- In October 2014, the Company announced that it will not pursue the FDA approval of the dual regimen of DCV and ASV for the treatment of HCV genotype 1b patients in the U.S. and has therefore withdrawn its NDA for asunaprevir. The Company will continue to pursue the FDA approval of DCV, which is currently being investigated globally in multiple treatment regimens for HCV patients with high unmet needs.
- In August 2014, the Company announced the European Commission (EC) approved *Daklinza* for use in combination with other medicinal products across genotypes 1, 2, 3 and 4 for the treatment of chronic HCV infection in adults. *Daklinza,* when used in combination with SOF, is an all-oral, interferon-free regimen that provided cure rates of up to 100% in clinical trials, including patients with advanced liver disease, genotype 3 and those who have previously failed treatment with protease inhibitors. *Daklinza* is the first NS5A complex inhibitor approved in the EU and is available for use in combination with other medicinal products, providing a shorter treatment duration (12 or 24 weeks) compared to 48 weeks of treatment with interferon- and ribavirin-based regimens.
- In July 2014, the Company announced that the Japanese Ministry of Health, Labor and Welfare approved *Daklinza* and *Sunvepra* as a new HCV treatment that can lead to a cure for many patients in Japan who currently have no treatment options. The *Daklinza* + *Sunvepra* dual regimen is Japan's first all-oral, interferon- and ribavirin-free treatment regimen for patients with genotype 1 chronic HCV infection, including those with compensated cirrhosis. The indications for *Daklinza* and *Sunvepra* in Japan are for: (1) patients who are ineligible or intolerant to interferon-based therapy, and (2) patients who have failed to respond to interferon-based therapy.

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

- In May 2014, the Company and AbbVie announced the FDA granted elotuzumab Breakthrough Therapy Designation for use in combination with lenalidomide and dexamethasone for the treatment of multiple myeloma in patients who have received one or more prior therapies. The designation is based on findings from a randomized Phase II, open-label study that evaluated two dose levels of elotuzumab in combination with lenalidomide and low-dose dexamethasone in previously-treated patients, including the 10 mg/kg dose that is being studied in the Phase III trials.

Reyataz (atazanavir sulfate) *Franchise* - a protease inhibitor for the treatment of the human immunodeficiency virus (HIV), which includes *Reyataz* and is also included in the combination therapy, *Evotaz* (atazanavir 300 mg and cobicistat 150 mg). *Evotaz* is part of our alliance with Gilead.

- In January 2015, the Company announced the FDA approved *Evotaz* tablets for the treatment of HIV-1 infection in adults, a once-daily single tablet two drug regimen combining *Reyataz* and *Tybost**.

Sustiva (efavirenz) *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 joint venture with Gilead.

- In October 2014, the Company announced it has successfully resolved all outstanding U.S. patent litigation relating to efavirenz, an active ingredient contained in *Sustiva* and *Atripla**, and that loss of exclusivity in the U.S. for efavirenz is not expected to occur until December 2017.

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

- In June 2014, the Company announced results from a Phase III randomized, double blind study demonstrating that *Yervoy* 10 mg/kg significantly improved recurrence-free survival (RFS, the length of time before recurrence or death) versus placebo for patients with stage 3 melanoma who are at high risk of recurrence following complete surgical resection, an adjuvant setting. A 25% reduction in the risk of recurrence or death was observed. At three years, an estimated 46.5% of patients treated with *Yervoy* were free of disease recurrence compared to an estimated 34.8% of patients on placebo. The median RFS was 26.1 months for *Yervoy* versus 17.1 months for placebo, with a median follow-up of 2.7 years.

Orencia (abatacept) - a fusion protein indicated for adult patients with moderate to severe active rheumatoid arthritis (RA) and is also indicated for reducing signs and symptoms in certain pediatric patients with moderately to severely active polyarticular juvenile idiopathic arthritis.

- In November 2014, the Company announced results of several new sub-analyses of the Phase IIIb AVERT (Assessing Very Early Rheumatoid arthritis Treatment) trial that investigated the use of *Orencia* plus methotrexate (MTX) in biologic and MTX-naïve citrullinated protein (CCP)-positive early moderate to severe RA patients. First-line therapy with Orencia in combination with MTX resulted in patients with early RA achieving significantly higher rates of stringent measures of remission, including 37 percent of patients achieving Boolean-defined remission and 42 percent of patients achieving CDAI- and SDAI-defined remission at 12 months versus patients on MTX alone (22.4 percent, 27.6 percent, and 25.0 percent, respectively; $P<0.05$ for all three measures).
- In June 2014, the Company announced its first release of new data from a Phase IIIb AVERT trial showing that *Orencia* in combination with MTX achieved significantly higher rates of DAS-defined remission at 12 months than treatment with standard of care agent MTX in biologic and MTX-naïve patients with early active RA.

Eliquis (apixaban) - 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 alliance with Pfizer.

- In November 2014, the Company, Pfizer and Portola Pharmaceuticals announced results from the first part of the Phase III ANNEXA™-A (Andexanet Alfa a Novel Antidote to the Anticoagulant Effects of fXA Inhibitors – Apixaban) studies. Andexanet alfa produced rapid and nearly complete reversal (by approximately 94 percent, p value <0.0001) of the anticoagulant effect of *Eliquis* in healthy volunteers ages 50 to 75.
- In August 2014, the Company and Pfizer announced results of a pre-specified secondary analysis of the *Eliquis* Phase III AMPLIFY-EXT trial (Apixaban after the initial Management of PuLmonary embolIsm and deep vein thrombosis with First-line therapY-EXTended Treatment). The analysis evaluated clinical and demographic predictors of all-cause hospitalization in patients with VTE, which includes the treatment of DVT and PE. Results from this analysis demonstrated that during the 12-month extended treatment of VTE, *Eliquis* significantly reduced the risk of hospitalization versus placebo.
- In August 2014, the Company and Pfizer announced the FDA approved a Supplemental New Drug Application (sNDA) for *Eliquis* for the treatment of DVT and PE, and for the reduction in the risk of recurrent DVT and PE following initial therapy.
- In July 2014, the Company and Pfizer announced the EC approved *Eliquis* for the treatment of DVT and PE in adults.
- In July 2014, the Company and Pfizer announced the first patient has been enrolled into a Phase IV clinical trial called EMANATE assessing the effectiveness and safety of *Eliquis* in patients with NVAF undergoing cardioversion.

- In March 2014, the Company and Pfizer announced the results of a pre-specified subanalysis of the Phase III ARISTOTLE trial assessing the effect of blood pressure control on outcomes. The study showed the results for stroke risk reduction for *Eliquis* versus warfarin were consistent with the overall ARISTOTLE study results, demonstrating that *Eliquis* reduced stroke or systemic embolism, caused fewer major bleeding events and reduced all-cause mortality, as compared to warfarin, regardless of blood pressure control. The results also showed that poor blood pressure control was associated with a substantially higher risk of stroke or systemic embolism, independent of *Eliquis* or warfarin treatment.
- In March 2014, the Company and Pfizer announced the FDA approved a sNDA for *Eliquis* for the prophylaxis of deep vein thrombosis, which may lead to PE in patients who have undergone hip or knee replacement surgery.
- In February 2014, the Company and Pfizer announced results of a pre-specified subanalysis of the Phase III ARISTOTLE trial in relation to patient age. ARISTOTLE was designed to evaluate the efficacy and safety of *Eliquis* compared to warfarin for reducing the risk of stroke or systemic embolism in patients with NVAF. This subanalysis found consistent results across age groups for reducing the risk of stroke and systemic embolism and reducing the risk of all-cause death with fewer bleeding events for *Eliquis* versus warfarin. Owing to the higher risk at older age (age 75 and older), the absolute benefit to patients with NVAF was greater with *Eliquis* in the older population.

RESULTS OF OPERATIONS

Total Revenues

The composition of the changes in revenues was as follows:

	Year Ended December 31,			2014 vs. 2013				2013 vs. 2012			
	Total Revenues			Analysis of % Change				Analysis of % Change			
Dollars in Millions	2014	2013	2012	Total Change	Volume	Price	Foreign Exchange	Total Change	Volume	Price	Foreign Exchange
United States	$ 7,716	$ 8,318	$ 10,384	(7)%	(10)%	3 %	—	(20)%	(19)%	(1)%	—
Europe	3,592	3,930	3,706	(9)%	(2)%	(7)%	—	6 %	7 %	(3)%	2 %
Rest of the World	3,459	3,295	3,204	5 %	11 %	(1)%	(5)%	3 %	11 %	(2)%	(6)%
Other[(a)]	1,112	842	327	32 %	N/A	N/A	N/A	**	N/A	N/A	N/A
Total	$ 15,879	$ 16,385	$ 17,621	(3)%	(2)%	—	(1)%	(7)%	(5)%	(1)%	(1)%

(a) Other 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 2014 attributed to volume resulted from the diabetes business divestiture in February 2014, partially offset by increased demand for *Eliquis, Yervoy* and *Sprycel*. The change in U.S. revenues in 2013 attributed to volume resulted from the exclusivity loss of *Plavix** in May 2012 and *Avapro**/*Avalide** in March 2012, partially offset by increased demand for *Sprycel* and *Yervoy* and Amylin-related diabetes product revenues following the completion of our acquisition in August 2012.

The change in U.S. revenues in 2014 attributed to price resulted from higher average net selling prices for *Abilify** (aripiprazole) and other key products. The change in U.S. revenues in 2013 attributed to price resulted from the reduction in our share of *Abilify** revenues from 51.5% in 2012 to 34.0% in 2013 (8% impact) mostly offset by higher average net selling prices of *Abilify** and other key products. See "—Key Products" for further discussion of total revenues by key product.

The change in Europe revenues in 2014 attributed to volume resulted from the expiration of EU commercialization rights to *Abilify** in June 2014, the diabetes business divestiture in February 2014 and loss of exclusivity of *Sustiva* in November 2013, partially offset by increased demand for *Eliquis, Yervoy* and *Orencia* and the launch of *Daklinza* in certain EU countries. The change in Europe revenues in 2013 attributed to volume resulted from increased demand for most key products, particularly *Yervoy, Sprycel* and *Orencia* and Amylin-related product revenues following the transition of non-U.S. operations in the second quarter of 2013 partially offset by the restructured Sanofi agreement. See "Item 8. Financial Statements—Note 3. Alliances" for further discussion. 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 mandatory discounts, rebates, and other restrictive measures. The change in Europe revenues in 2014 attributed to price also resulted from a reduction in *Atripla** revenue sharing and average net selling prices.

The change in Rest of the World revenues in 2014 attributed to volume resulted from increased demand for key products, particularly *Eliquis*, *Yervoy, Sprycel* and the launch of *Daklinza* and *Sunvepra* in Japan partially offset by the diabetes business divestiture. The change in Rest of the World revenues in 2013 attributed to volume resulted from growth in most key products partially offset by the restructured Sanofi agreement and generic competition for mature brands. Both periods were impacted by unfavorable foreign exchange (primarily in Japan).

Other revenues increased in both periods due to higher royalties, mature brand and over-the-counter product alliances and diabetes product supply sales in 2014. Certain alliance and other revenues are expected to decline by approximately $400 million in 2015 and continue to decline in 2016 upon the expiration of the related royalty and alliance agreements. See "Item 8. Financial Statements—Note 3. Alliances" for further discussion of the alliances.

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 $1.6 billion in 2014, $1.3 billion in 2013 and $1.5 billion in 2012. 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	Managed Healthcare Rebates and Other Contract Discounts	Medicaid Rebates	Sales Returns	Other Adjustments	Total
Balance at January 1, 2013	$ 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
Provision related to sale made in:							
Current period	614	141	398	394	94	558	2,199
Prior period	—	—	1	(24)	(33)	(10)	(66)
Returns and payments	(610)	(138)	(394)	(400)	(105)	(483)	(2,130)
Impact of foreign currency translation	—	—	(4)	(4)	(3)	(23)	(34)
Balance at December 31, 2014	**$ 41**	**$ 15**	**$ 148**	**$ 193**	**$ 232**	**$ 278**	**$ 907**

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,		
Dollars in Millions	**2014**	2013	2012
Gross product sales	**$ 13,793**	$ 14,391	$ 15,849
Gross-to-Net Adjustments			
Charge-Backs Related to Government Programs	**(614)**	(563)	(651)
Cash Discounts	**(141)**	(154)	(192)
Managed Healthcare Rebates and Other Contract Discounts	**(399)**	(499)	(284)
Medicaid Rebates	**(370)**	(275)	(386)
Sales Returns	**(61)**	(62)	(248)
Other Adjustments	**(548)**	(534)	(434)
Total Gross-to-Net Adjustments	**(2,133)**	(2,087)	(2,195)
Net product sales	**$ 11,660**	$ 12,304	$ 13,654

Gross-to-net adjustment rates are primarily a function of changes in revenue mix and contractual and legislative discounts and rebates. Gross-to-net adjustments increased in 2014 and decreased in 2013 due to:

- Chargebacks related to government programs and cash discounts in 2013 decreased as a result of lower *Plavix®* sales following its loss of exclusivity in 2012.
- Managed healthcare rebates and other contract discounts decreased in 2014 following the diabetes business divestiture in February 2014, partially offset by higher *Eliquis* sales. Managed healthcare rebates and other contract discounts increased in 2013 primarily due to higher Amylin-related sales.
- Medicaid rebates increased in 2014 due to incremental discounts from price increases taken in excess of inflation; higher program participation rates and higher provision reversals related to sales made in prior periods in 2013. Medicaid rebates decreased in 2013 due to lower *Plavix®* sales and higher provision reversals related to sales made in prior periods in 2013.
- Sales returns decreased in 2013 due to additional reserves established in 2012 following *Plavix®* and *Avapro®*/*Avalide®* loss of exclusivity. The U.S. sales return reserves for *Plavix®* and *Avapro®/Avalide®* were $86 million and $147 million at December 31, 2014 and 2013, 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 might be required in the future resulting from actual returns expected to occur in 2015.
- Other adjustments increased in 2013 primarily due to higher government rebates in non-U.S. markets.

Product Revenues

Dollars in Millions	Year Ended December 31, 2014	2013	2012	% Change 2014 vs. 2013	2013 vs. 2012	% Change Attributable to Foreign Exchange 2014 vs. 2013	2013 vs. 2012
Virology							
Baraclude (entecavir)	**$ 1,441**	$ 1,527	$ 1,388	(6)%	10 %	(2)%	(3)%
U.S.	**215**	289	241	(26)%	20 %	—	—
Non-U.S.	**1,226**	1,238	1,147	(1)%	8 %	(2)%	(3)%
Hepatitis C Franchise *(daclatasvir and asunaprevir)*	**256**	—	—	N/A	N/A	N/A	N/A
Non-U.S.	**256**	—	—	N/A	N/A	N/A	N/A
Reyataz (atazanavir sulfate)	**1,362**	1,551	1,521	(12)%	2 %	(1)%	(1)%
U.S.	**689**	769	783	(10)%	(2)%	—	—
Non-U.S.	**673**	782	738	(14)%	6 %	(3)%	(2)%
Sustiva (efavirenz) Franchise	**1,444**	1,614	1,527	(11)%	6 %	—	—
U.S.	**1,118**	1,092	1,016	2 %	7 %	—	—
Non-U.S.	**326**	522	511	(38)%	2 %	—	1 %
Oncology							
Erbitux (cetuximab)*	**723**	696	702	4 %	(1)%	N/A	—
U.S.	**682**	682	688	—	(1)%	—	—
Non-U.S.	**41**	14	14	**	—	N/A	—
Opdivo (nivolumab)	**6**	—	—	N/A	N/A	N/A	N/A
U.S.	**1**	—	—	N/A	N/A	—	—
Non-U.S.	**5**	—	—	N/A	N/A	N/A	N/A
Sprycel (dasatinib)	**1,493**	1,280	1,019	17 %	26 %	(2)%	(4)%
U.S.	**671**	541	404	24 %	34 %	—	—
Non-U.S.	**822**	739	615	11 %	20 %	(5)%	(7)%
Yervoy (ipilimumab)	**1,308**	960	706	36 %	36 %	(2)%	—
U.S.	**709**	577	503	23 %	15 %	—	—
Non-U.S.	**599**	383	203	56 %	89 %	(4)%	—
Neuroscience							
Abilify (aripiprazole)*	**2,020**	2,289	2,827	(12)%	(19)%	—	—
U.S.	**1,572**	1,519	2,102	3 %	(28)%	—	—
Non-U.S.	**448**	770	725	(42)%	6 %	—	1 %
Immunoscience							
Orencia (abatacept)	**1,652**	1,444	1,176	14 %	23 %	(2)%	(2)%
U.S.	**1,064**	954	797	12 %	20 %	—	—
Non-U.S.	**588**	490	379	20 %	29 %	(6)%	(8)%
Cardiovascular							
Eliquis (apixaban)	**774**	146	2	**	**	N/A	N/A
U.S.	**404**	97	—	**	N/A	—	—
Non-U.S.	**370**	49	2	**	**	N/A	N/A
Diabetes Alliance	**295**	1,683	972	(82)%	73 %	—	—
U.S.	**110**	1,242	774	(91)%	60 %	—	—
Non-U.S.	**185**	441	198	(58)%	**	—	(1)%
Mature Products and All Other	**3,105**	3,195	5,781	(3)%	(45)%	(1)%	—
U.S.	**481**	556	3,076	(13)%	(82)%	—	—
Non-U.S.	**2,624**	2,639	2,705	(1)%	(2)%	(2)%	(1)%

** Change in excess of 100%

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

- U.S. revenues decreased in 2014 due to the launch of generic entecavir by Teva Pharmaceutical Industries Ltd. in September 2014. U.S. revenues increased in 2013 due to higher average net selling prices and demand.
- International revenues increased in 2013 due to higher demand.

Hepatitis C Franchise — *Daklinza* - an NS5A replication complex inhibitor; *Sunvepra* - an NS3 protease inhibitor

- *Daklinza* was launched in Germany in August 2014 and certain other EU countries in September 2014. *Daklinza* and *Sunvepra* dual regimen was launched in Japan in September 2014.

Reyataz — a protease inhibitor for the treatment of the HIV

- U.S. revenues decreased in both periods due to lower demand resulting from competitors' products.
- International revenues decreased in 2014 due to the timing of government purchases in certain countries and lower demand resulting from competitors' products. International revenues increased in 2013 due to higher demand and the timing of government purchases in certain countries. Both periods were impacted by unfavorable foreign exchange.

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**, a product sold through our alliance with Gilead

- U.S. revenues increased in both periods due to higher average net selling prices partially offset by lower demand.
- International revenues decreased in 2014 due to *Sustiva's* loss of exclusivity in Europe in November 2013, which negatively impacted demand, average net selling prices and *Atripla** revenue sharing.

*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 in the treatment of patients with certain types of metastatic colorectal cancer and squamous cell carcinoma of the head and neck. *Erbitux** is part of our alliance with Lilly.

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

Opdivo — a fully human monoclonal antibody that binds to the PD-1 on T and NKT cells that is being investigated as an anti-cancer treatment. *Opdivo* is part of our alliance with Ono.

- *Opdivo* was launched in the U.S. in December 2014 and Japan in September 2014 for the treatment of unresectable or metastatic melanoma.

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 alliance with Otsuka Pharmaceutical Co., Ltd (Otsuka).

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

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

- U.S. revenues increased in both periods 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.
- International revenues increased in both periods 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 alliance with Otsuka

- U.S. revenues increased in 2014 primarily due to higher average net selling prices partially offset by the reduction in our share of *Abilify** revenues from 34% in 2013 to 33%. U.S. revenues decreased in 2013 due to a reduction in our contractual share of revenues from 51.5% in 2012 to 34.0% in 2013, which was partially offset by higher average net selling prices. Our U.S. commercialization rights to *Abilify** expire on April 20, 2015 upon the expected loss of product exclusivity which will result in a significant decline in *Abilify** revenues.
- International revenues decreased in 2014 primarily due to the expiration of our EU commercialization rights in June 2014 and Otsuka becoming the principal for the end customer sales in certain markets. International revenues in 2013 increased primarily due to higher demand.

Orencia — a fusion protein indicated for adult patients with moderate to severe active RA and is also indicated for reducing signs and symptoms in certain pediatric patients with moderately to severely active polyarticular juvenile idiopathic arthritis.

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

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

- U.S. and international revenues continued to increase following the 2013 launches in most major markets for the reduction of the risk of stroke and systemic embolism for patients with NVAF and the treatment of VTE in 2014 in the U.S.

Diabetes Alliance — includes *Bydureon*, Byetta*, Farxiga*, Onglyza*/Kombiglyze*, Myalept** and *Symlin*,* which were part of our alliance with AstraZeneca.

- Revenues decreased in 2014 due to the diabetes business divestiture in February 2014. Revenues increased in 2013 due to the Amylin acquisition in August 2012 and higher demand and average net selling prices for *Onglyza*/Kombiglyze**. See "Item 8. Financial Statements—Note 3. Alliances" for further discussion.

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 due to the continued generic erosion of certain products, including *Plavix** and *Avapro*/Avalide** which lost exclusivity in 2012 resulting in lower revenue of $2.4 billion in 2013.
- International revenues remained relatively flat in 2014 due to the continued generic erosion of other products offset by higher revenues attributed to certain alliances. International revenues in 2013 were impacted by changes attributed to the restructured Sanofi agreement for *Avapro*/Avalide** and *Plavix**. See “Item 8. Financial Statements—Note 3. Alliances” for further discussion.
- Revenues are expected to significantly decline in 2015 due to a reduction of approximately $400 million related to the expiration of certain royalty and alliance agreements, as well as the continued decline of mature products.

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 the following products were not material to our results of operations as of the dates indicated.

Reyataz had 1.3 months of inventory on hand internationally at September 30, 2014, compared to 1.1 months of inventory on hand at June 30, 2014. The level of inventory exceeds one month on hand primarily due to government purchasing patterns in Brazil.

Efferalgan, an analgesic product sold principally in Europe, had 1.1 months of inventory on hand internationally at September 30, 2014 and at June 30, 2014. The level of inventory on hand was primarily due to the ordering patterns of pharmacists in France.

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, 2014 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

Dollar in Millions	2014	2013	2012	% Change 2014 vs. 2013	% Change 2013 vs. 2012
Cost of products sold	$ 3,932	$ 4,619	$ 4,610	(15)%	—
Marketing, selling and administrative	4,088	4,084	4,220	—	(3)%
Advertising and product promotion	734	855	797	(14)%	7 %
Research and development	4,534	3,731	3,904	22 %	(4)%
Impairment charge for BMS-986094 intangible asset	—	—	1,830	—	(100)%
Other (income)/expense	210	205	(80)	2 %	**
Total Expenses	$ 13,498	$ 13,494	$ 15,281	—	(12)%

** 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 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 was 24.8% in 2014, 28.2% in 2013, and 26.2% in 2012.

- Cost of products sold decreased in 2014 primarily due to the diabetes business divestiture ($1.1 billion), partially offset by higher *Eliquis* profit sharing with Pfizer and accelerated depreciation for certain manufacturing facilities.
- Cost of products sold remained relatively flat in 2013 as higher profit sharing expenses and higher net amortization costs following the Amylin acquisition were offset by lower royalties following the loss of exclusivity of *Plavix** and *Avapro*/Avalide** and lower impairment charges in 2013.
- 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. Expenses are managed through regional commercialization organizations or global corporate organizations such as finance, legal, information technology and human resources. Certain expenses are shared with alliance partners based upon contractual agreements.

- Marketing, selling and administrative expenses remained relatively flat in 2014 as increased sales-related activities supporting *Eliquis*, *Yervoy*, *Opdivo* and the Hepatitis C Franchise, higher variable employee compensation and an additional Branded Prescription Drug Fee in 2014 were offset by lower expenses following the diabetes business divestiture ($500 million).
- On July 28, 2014, the IRS issued final rules and regulations for the Branded Prescription Drug Fee, an annual non-tax-deductible fee payable to the federal government under the Affordable Care Act based on an allocation of a company's market share for branded prescription drugs sold to certain government programs in the prior year. The final rules accelerated BMS's and other industry participants' expense recognition criteria for the fee obligation from the year in which the fee is paid, to the year in which the market share used to allocate the fee is determined. As a result, an additional year of expense was recognized in the third quarter of 2014, including $96 million in marketing, selling and administrative expenses and $16 million in other expense. The final rules and regulations did not change the amount or timing of annual fees to be paid.
- Marketing, selling and administrative expenses decreased in 2013 due to the accelerated vesting of Amylin stock options and restricted stock units ($67 million) in 2012, a lower Branded Prescription Drug Fee, 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.

Advertising and product promotion

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

- Advertising and product promotion expenses decreased in 2014 following the diabetes business divestiture.
- Advertising and product promotion expenses increased in 2013 due to newly launched products.

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. Research and development expenses also 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.

Expenses attributed to development activities managed by our global research and development organization were approximately $2.3 billion in 2014, $2.2 billion in 2013 and $1.9 billion in 2012, with the remainder attributed to preclinical and research activities. Expenses can vary between periods for a number of reasons, including the timing of upfront, milestone and other licensing payments.

- Research and development expenses increased in 2014 due to $343 million IPRD impairment charges (including $310 million for peginterferon lambda), higher variable employee compensation and clinical development costs, a $148 million charge for the acquisition of iPierian, and upfront and contingent milestone payments of $130 million in 2014. See “Item 8. Financial Statements —Note 4. Acquisitions and Note 14. Goodwill and other intangible assets” for further information.
- Research and development expenses decreased in 2013 due to prior year charges including $142 million IPRD impairment charges, $27 million from accelerated vesting of Amylin stock options and restricted stock units and $47 million of upfront, milestone and other licensing payments partially offset by additional costs following the Amylin acquisition and higher clinical grant spending.

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 HCV, was discontinued in the interest of patient safety. See “Item 8. Financial Statements —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

	Year Ended December 31,		
Dollars in Millions	**2014**	2013	2012
Interest expense	**$ 203**	$ 199	$ 182
Investment income	**(101)**	(104)	(106)
Provision for restructuring	**163**	226	174
Litigation charges/(recoveries)	**23**	20	(45)
Equity in net income of affiliates	**(107)**	(166)	(183)
Out-licensed intangible asset impairment	**29**	—	38
Gain on sale of product lines, businesses and assets	**(564)**	(2)	(53)
Other alliance and licensing income	**(404)**	(148)	(312)
Pension curtailments, settlements and special termination benefits	**877**	165	158
Other	**91**	15	67
Other (income)/expense	**$ 210**	$ 205	$ (80)

- Provision for restructuring was primarily attributable to employee termination benefits resulting from workforce reductions of manufacturing, selling, administrative, and research and development personnel across all geographic regions. Additional charges of approximately $100 million related to specialty care transformation initiatives are expected in 2015. See "Item 8. Financial Statements—Note 7. Restructuring" for further discussion.
- Litigation charges/(recoveries) in 2012 included $172 million for our share of an 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.
- Out-licensed intangible asset impairment charges in 2014 and 2012 are related to certain assets acquired in the Medarex and ZymoGenetics, Inc. acquisitions and resulted from unfavorable clinical trial results and/or abandonment of these programs.
- Gain on sale of product lines, businesses and assets resulted primarily from the diabetes business divestiture in 2014. See "Item 8. Financial Statements—Note 3. Alliances" for further details.
- Alliance and licensing income in 2014 includes royalties, transitional service fees and amortization of deferred income attributed to a development agreement resulting from the diabetes business divestiture. The decrease in U.S. *Plavix** 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 "Item 8. Financial Statements—Note 3. Alliances" for further discussion.
- A pension settlement charge of $713 million was recognized in 2014 following the purchase of a group annuity contract from Prudential in December 2014. Additional pension settlement charges were also 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 2014, 2013 and 2012. The charges include the acceleration of a portion of unrecognized actuarial losses. Similar charges may occur in the future. See "Item 8. Financial Statements—Note 19. Pension, Postretirement and Postemployment Liabilities" for further details.

Income Taxes

Dollars in Millions	2014	2013	2012
Earnings Before Income Taxes	$ 2,381	$ 2,891	$ 2,340
Provision for/(benefit from) income taxes	352	311	(161)
Effective tax/(benefit) rate	14.8%	10.8%	(6.9)%

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.

The increase in the effective tax rate in 2014 resulted from an unfavorable earnings mix between high and low tax jurisdictions, the retroactive reinstatement of the 2012 R&D credit legislation in 2013 and additional tax reserves for transfer pricing matters, partially offset by higher tax benefits attributed to specified items. Minimal income taxes were attributed to the diabetes business divestiture gain because of the capital loss deduction on the sale of the Amylin shares and tax basis differences resulting primarily from allocated goodwill and Amylin deferred taxes. No tax benefits were attributed to the research and development charge resulting from the acquisition of iPierian.

The change in the effective tax rate in 2013 resulted from 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 resulting from lower discrete tax benefits attributed to intangible asset impairment charges in 2012 ($1,830 million impairment charge for BMS-986094 in 2012) and higher charges from contingent tax matters in 2013 were offset by favorable earnings mix in 2013 (higher U.S. Plavix sales in 2012) and the retroactive reinstatement of the 2012 R&D credit legislation in 2013. See "Item 8. Financial Statements—Note 8. Income Taxes" for further details.

Noncontrolling Interest

See "Item 8. Financial Statements—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 2013 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	2014	2013	2012
Sanofi partnerships	$ 38	$ 36	$ 844
Other	9	1	14
Noncontrolling interest-pre-tax	47	37	858
Income taxes	(22)	(20)	(317)
Net earnings attributable to noncontrolling interest	$ 25	$ 17	$ 541

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:

	Year Ended December 31,		
Dollars in Millions	**2014**	2013	2012
Accelerated depreciation, asset impairment and other shutdown costs	**$ 151**	$ 36	$ 147
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	**151**	326	285
Stock compensation from accelerated vesting of Amylin awards	**—**	—	67
Additional year of Branded Prescription Drug Fee	**96**	—	—
Process standardization implementation costs	**9**	16	18
Marketing, selling and administrative	**105**	16	85
Stock compensation from accelerated vesting of Amylin awards	**—**	—	27
Upfront, milestone and other licensing payments	**278**	16	47
IPRD impairment	**343**	—	142
Research and development	**621**	16	216
Impairment charge for BMS-986094 intangible asset	**—**	—	1,830
Provision for restructuring	**163**	226	174
Gain on sale of product lines, businesses and assets	**(559)**	—	(51)
Pension curtailments, settlements and special termination benefits	**877**	161	151
Acquisition and alliance related items[(a)]	**72**	(10)	43
Litigation charges/(recoveries)	**27**	(23)	(45)
Loss on debt redemption	**45**	—	27
Out-licensed intangible asset impairment	**11**	—	38
Upfront, milestone and other licensing receipts	**(10)**	(14)	(10)
Other (income)/expense	**626**	340	327
Increase to pretax income	**1,503**	698	2,743
Income tax on items above	**(545)**	(242)	(947)
Specified tax charge/(benefit)[(b)(c)]	**123**	—	(392)
Income taxes	**(422)**	(242)	(1,339)
Increase to net earnings	**$ 1,081**	$ 456	$ 1,404

(a) Includes $16 million of additional year of Branded Prescription Drug Fee in the third quarter of 2014.
(b) The 2014 specified tax charge relates to transfer pricing matters.
(c) The 2012 specified tax benefit relates to a capital loss deduction.

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

Dollars in Millions, except per share data	Year Ended December 31, 2014	2013	2012
Net Earnings Attributable to BMS — GAAP	$ 2,004	$ 2,563	$ 1,960
Earnings attributable to unvested restricted shares	—	—	(1)
Net Earnings Attributable to BMS used for Diluted EPS Calculation — GAAP	$ 2,004	$ 2,563	$ 1,959
Net Earnings Attributable to BMS — GAAP	$ 2,004	$ 2,563	$ 1,960
Less Specified Items	1,081	456	1,404
Net Earnings Attributable to BMS — Non-GAAP	3,085	3,019	3,364
Earnings attributable to unvested restricted shares	—	—	(1)
Net Earnings Attributable to BMS used for Diluted EPS Calculation — Non-GAAP	$ 3,085	$ 3,019	$ 3,363
Average Common Shares Outstanding — Diluted	1,670	1,662	1,688
Diluted EPS Attributable to BMS — GAAP	$ 1.20	$ 1.54	$ 1.16
Diluted EPS Attributable to Specified Items	0.65	0.28	0.83
Diluted EPS Attributable to BMS — Non-GAAP	$ 1.85	$ 1.82	$ 1.99

Financial Position, Liquidity and Capital Resources

Our net cash/(debt) position was as follows:

Dollars in Millions	2014	2013
Cash and cash equivalents	$ 5,571	$ 3,586
Marketable securities — current	1,864	939
Marketable securities — non-current	4,408	3,747
Total cash, cash equivalents and marketable securities	11,843	8,272
Short-term borrowings	(590)	(359)
Long-term debt	(7,242)	(7,981)
Net cash/(debt) position	$ 4,011	$ (68)

Cash, cash equivalents and marketable securities held in the U.S. were approximately $2.5 billion at December 31, 2014. Most of the remaining $9.3 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 believe that our existing cash, cash equivalents and marketable securities together with cash generated from operations will be sufficient to satisfy our normal cash requirements for at least the next few years, including dividends, capital expenditures, milestone payments and working capital.

Dividends were $2.4 billion in 2014 and $2.3 billion in 2013 and 2012. Dividend decisions are made on a quarterly basis by our Board of Directors. Capital expenditures were approximately $500 million during each of the past three years and are expected to increase to approximately $1.0 billion during 2015 and 2016. The higher spending is expected as a result of expanding our biologics manufacturing capabilities and other facility-related activities. For example, we are planning to construct a new large-scale biologics manufacturing facility in Ireland that will produce multiple therapies for our growing biologics portfolio when completed in 2019.

In February 2014, we sold to AstraZeneca substantially all of the diabetes business comprising our alliance with them, resulting in $3.8 billion of cash flow in 2014 (including royalties). See “Item 8. Financial Statements—Note 3. Alliances” for further discussion. We also redeemed our 5.45% Notes due 2018 in their entirety. The outstanding principal amount of the notes was $582 million. Management periodically evaluates potential opportunities to repurchase certain debt securities and terminate certain interest rate swap contracts prior to their maturity. No commercial paper borrowings were outstanding as of December 31, 2014.

Our marketable securities portfolio is 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 “Item 8. Financial Statements—Note 10. Financial Instruments and Fair Value Measurements.”

Two separate $1.5 billion five-year revolving credit facilities are maintained 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, 2014 or 2013.

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.

Our exposure with certain European government-backed entities have a higher risk of default. These government-backed entities are monitored through economic factors including credit ratings, credit-default swap rates and debt-to-gross domestic product ratios in addition to entity specific factors. Our exposure was reduced by factoring certain receivables, including receivables in Italy, Portugal and Spain of $454 million in 2014, $509 million in 2013 and $322 million in 2012. Factoring of receivables in Japan were $358 million in 2014, $522 million in 2013 and $634 million in 2012. Our factoring 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, 2014	December 31, 2013
Net trade receivables	$ 2,100	$ 1,690
Inventories	1,560	1,498
Accounts payable	(2,487)	(2,559)
Total	$ 1,173	$ 629

Credit Ratings

Moody’s Investors Service long-term and short-term credit ratings are A2 and Prime-1, respectively, and their long-term credit outlook is negative. Standard & Poor’s long-term and short-term credit ratings are A+ and A-1+, respectively, and their long-term credit outlook is stable. Fitch's long-term and short-term credit ratings are A- and F2, respectively, and revised our long-term credit outlook from negative to stable in December 2014. 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	2014	2013	2012
Cash flow provided by/(used in):			
Operating activities	$ 3,148	$ 3,545	$ 6,941
Investing activities	1,216	(572)	(6,727)
Financing activities	(2,437)	(1,068)	(4,333)

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 $397 million decrease in cash provided by operating activities in 2014 was primarily attributable to:

- Lower upfront and contingent alliance proceeds of approximately $600 million (Reckitt alliance proceeds of $485 million in 2013); and
- Additional net working capital requirements of $400 million.

Partially offset by:

- The timing of other cash collections and payments in the ordinary course of business including among other items, lower pension contributions, restructuring and annual bonus payments.

The $3.4 billion decrease in cash provided by operating activities in 2013 was primarily attributable to:

- Lower upfront and contingent alliance proceeds of approximately $2.7 billion (Amylin alliance proceeds of $3.6 billion in 2012); and
- Lower operating cash flows attributed to *Plavix** and *Avapro*/Avalide** revenue reductions following the loss of exclusivity of approximately $700 million.

Investing Activities

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

The $1.8 billion decrease in cash used in investing activities in 2014 was primarily attributable to:

- Proceeds of $3.5 billion allocated to the diabetes business divestiture in 2014.

Partially offset by:

- Higher net purchases of marketable securities (approximately $1.6 billion); and
- Cash used to acquire iPierian ($175 million) in 2014.

The $6.2 billion decrease in cash used in investing activities in 2013 was primarily attributable to:

- Cash used to acquire Amylin ($5.0 billion) and Inhibitex ($2.5 billion) in 2012.

Partially offset by:

- Higher net proceeds from sales, purchases, and maturities of marketable securities (approximately $1.3 billion).

Financing Activities

Cash requirements from financing activities include cash used to pay dividends, repurchase common stock and repay long-term debt and other borrowings reduced by proceeds from the exercise of stock options and issuance of long-term debt and other borrowings.

The $1.4 billion increase in cash used in financing activities in 2014 was primarily attributable to:

- Lower net borrowings from long-term debt transactions of $1.6 billion ($676 million of repayments in 2014 and $892 million of net borrowings in 2013); and
- Lower proceeds from stock option exercises ($288 million in 2014 and $564 million in 2013, including excess tax benefits).

Partially offset by:

- Lower cash used to repurchase common stock (none in 2014 and $433 million in 2013).

The $3.3 billion decrease in cash used in financing activities in 2013 was primarily attributable to:

- Lower cash used to repurchase common stock of $2.0 billion ($433 million in 2013 and $2.4 billion in 2012);
- Higher net borrowings from long-term debt transactions of $1.1 billion ($892 million of net borrowings in 2013 and $158 million of net repayments in 2012 including debt assumed in the Amylin acquisition); and
- Higher proceeds from stock option exercises ($564 million in 2013 and $463 million in 2012, including excess tax benefits).

Contractual Obligations

Payments due by period for our contractual obligations at December 31, 2014 were as follows:

	Obligations Expiring by Period						
Dollars in Millions	Total	2015	2016	2017	2018	2019	Later Years
Short-term borrowings	$ 590	$ 590	$ —	$ —	$ —	$ —	$ —
Long-term debt	6,804	—	611	750	—	500	4,943
Interest on long-term debt[(a)]	5,100	243	258	241	236	232	3,890
Operating leases	572	136	121	94	83	57	81
Purchase obligations	2,296	632	391	323	312	226	412
Uncertain tax positions[(b)]	142	142	—	—	—	—	—
Other long-term liabilities	618	—	211	45	30	33	299
Total	$ 16,122	$ 1,743	$ 1,592	$ 1,453	$ 661	$ 1,048	$ 9,625

(a) Includes estimated future interest payments and periodic cash settlements of derivatives.
(b) Includes only short-term uncertain tax benefits because of uncertainties regarding the timing of resolution.

In addition to the above, we are committed to an aggregated $3.8 billion of potential future research and development milestone payments to third parties for in-licensing and development programs including early-stage milestones of $900 million (milestones achieved through Phase III clinical trials) and late-stage milestones of $2.9 billion (milestones achieved post Phase III clinical trials). Payments generally are due and payable only upon achievement of certain developmental and regulatory milestones for which the specific timing cannot be predicted. Some of these agreements also provide for sales-based milestones aggregating $1.2 billion that we would be obligated to pay to alliance partners upon achievement of certain sales levels in addition to royalties. 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 “Item 8. Financial Statements—Note 3. Alliances” for further information regarding our alliances.

For a discussion of contractual obligations, see “Item 8. Financial Statements—Note 8. Income Taxes,” “—Note 10. Financial Instruments and Fair Value Measurements,” “—Note 19. Pension, Postretirement and Postemployment Liabilities” 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

For recently issued accounting standards, see "Item 8. Financial Statements—Note 1. Accounting Policies—Recently Issued Accounting Standards."

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. 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 of the risks and rewards of ownership have transferred (generally upon shipment except in certain EU markets which does not occur until delivery of the products to the customer). In 2014, we deferred approximately $300 million for products sold under an early access program in the EU. A portion of this amount will be recognized as revenue, subject to final price negotiations with the local government which are expected to be concluded in 2015. 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.

In alliance arrangements involving the delivery of more than one element, each undelivered element is evaluated whether it qualifies as a separate unit of accounting. The consideration that is fixed or determinable is then allocated to each undelivered element and is recognized as the related goods or services are delivered, limited to the consideration that is not contingent upon future deliverables. Consideration associated with contingent milestones and royalties are allocated among the underlying elements if and when the amounts are determined to be payable to BMS.

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. Rebates are also required under the U.S. Department of Defense TRICARE Retail Pharmacy Refund Program. The estimated amount of unpaid or unbilled rebates and discounts is 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. business 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. Medicaid rebates have also been extended to drugs used in managed Medicaid plans. The estimated amount of unpaid or unbilled rebates is presented as a liability. The estimated Medicaid rebates attributable to prior period revenues were reduced by $24 million in 2014, $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 lower demand following the loss of exclusivity. The estimated amount for product returns is presented as a liability. Reserves were established in 2012 for *Plavix** and *Avapro*/Avalide** following their loss of exclusivity. Remaining reserves were $86 million and $147 million at December 31, 2014 and 2013, 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 2014 was determined using a 4.3% weighted-average discount rate. The present value of benefit obligations at December 31, 2014 for the U.S. pension plans was determined using a 3.8% discount rate. If the discount rate used in determining the U.S. plans' pension expense for 2014 was reduced by an additional 1%, such expense would increase by approximately $9 million. If the assumed discount rate used in determining the U.S. pension plans' projected benefit obligation at December 31, 2014 was reduced by an additional 1%, the projected benefit obligation would increase by approximately $1.1 billion.

New mortality tables (RP-2014) and mortality improvement scales (MP-2014) were issued by the Society of Actuaries in 2014 reflecting longer life expectancies than the previous tables. The new tables were used to measure the U.S. pension and post-retirement obligations beginning at September 30, 2014, resulting in an increase in the obligations of approximately $600 million. The revised mortality rates are not expected to materially impact pension expense in future periods.

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 2014 was determined using an 8.1% 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 2014 was reduced by 1%, such expense would increase by $49 million.

For a more detailed discussion on retirement benefits, see "Item 8. Financial Statements—Note 19. Pension, Postretirement and Postemployment Liabilities."

Business Combinations and Divestitures

Goodwill and other intangible assets acquired in business combinations, licensing and other transactions were $8.8 billion (representing 26% of total assets) at December 31, 2014.

Accounting for transactions as business combinations and divestitures is significantly different than asset acquisitions and divestitures. For example, acquired IPRD is capitalized for business combinations and expensed for asset acquisitions and the fair value of contingent consideration and goodwill are only recognized in business combination transactions. Likewise, when a portion of a reporting unit that constitutes a business is divested, goodwill associated with that business is included in the carrying value of the business in determining the gain or loss. Derecognition of goodwill does not occur in asset dispositions. As a result, it is important to determine whether a business or an asset or group of assets is acquired or divested. A business is defined in ASC 805 - Business Combinations as an integrated set of inputs and processes that are capable of generating outputs that have the ability to provide a return to its investors or owners. Typical inputs include long-lived assets (including intangible assets or rights to use long-lived assets), intellectual property and the ability to obtain access to required resources. Typical processes include strategic, operational and resource management processes that are typically documented or evident through an organized workforce.

We consider all of the above factors in determining whether a business was acquired (or divested) as well as the stage of development if no commercial products are involved. For example, in evaluating our acquisition of iPierian, we concluded that no significant processes were transferred to us, thus the transaction was accounted for as an asset acquisition. As a result, $148 million allocated to the lead investigational compound was expensed and not capitalized. In addition, contingent consideration from potential regulatory and approval milestones of $550 million and sales-based royalties were not included in the purchase price. Similarly, in evaluating our divestiture of our diabetes franchise to AstraZeneca, we concluded that all necessary inputs and processes were transferred, and consequently the transaction was accounted for as the sale of a business, which resulted in the allocation of $600 million of goodwill to the carrying value of the business in determining the gain on sale.

For business combination transactions, 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 "Item 8. Financial Statements—Note 4. Acquisitions" for specific details and values assigned to assets acquired and liabilities assumed in our acquisitions of iPierian in 2014 and Amylin and Inhibitex in 2012. 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
IPRD:						
BMS-986094 (formerly INX-189)	1,830	12.0%	N/A	Phase II	38.0%	2017
*Myalept**	120	12.0%	N/A	Phase III	75.0%	2017

Valuation processes are also required for certain multiple element arrangements and include determination of judgmental and complex matters, discussed above. For example, the divestiture of the diabetes business to AstraZeneca in 2014 required the determination of the best estimated selling price of several elements including the business, supply and development agreements (including the appropriate mark-ups) and the estimated fair value of the manufacturing facility. See "Item 8. Financial Statements—Note 3. Alliances" for further discussion.

Impairment

Goodwill

Goodwill was $7.0 billion at December 31, 2014. 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 “Item 8. Financial Statements —Note 1. Accounting Policies—Goodwill, Acquired In-Process Research and Development and Other Intangible Assets.”

Other Intangible Assets, including IPRD

Other intangible assets were $1.8 billion at December 31, 2014, including licenses ($382 million), developed technology rights ($849 million), capitalized software ($242 million) and IPRD ($280 million). Intangible assets are assessed for impairment whenever current facts or circumstances warrant a review, although IPRD is assessed 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 $343 million in 2014, including a $310 million charge for peginterferon lambda which was in Phase III development for treatment of HCV. We also 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. IPRD is closely monitored and assessed each period for impairment. For discussion on IPRD impairments, see “Item 8. Financial Statements—Note 14. Goodwill and other intangible assets."

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.

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. Accelerated depreciation and other related charges for certain manufacturing facilities were $151 million in 2014, $36 million in 2013 and $147 million in 2012.

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 “Item 8. Financial Statements—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 $3.8 billion at December 31, 2014 (net of valuation allowances of $4.3 billion) and $4.8 billion at December 31, 2013 (net of valuation allowances of $4.6 billion).

Deferred tax assets related to a U.S. Federal net operating loss carryforward of $135 million and a U.S. Federal tax credit carryforward of $26 million were recognized at December 31, 2014. 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 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 $562 million was recognized at December 31, 2014 which 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 $436 million valuation allowance was established for this item at December 31, 2014.

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, including certain taxes related to its business prior to the completion of the IPO and created as part of the restructuring to facilitate the IPO. Mead Johnson has also 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.

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. For example, additional reserves of $123 million were established in 2014 for certain transfer pricing matters related to periods from 2008 through 2014.

For discussions on income taxes, see "Item 8. Financial Statements—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 on Form 10-K, particularly under "Item 1A. Risk Factors," that we believe could cause actual results to differ materially from any forward-looking statement.

Although we believe we have been prudent in our plans and assumptions, no assurance can be given that any goal or plan set forth in forward-looking statements can be achieved and readers are cautioned not to place undue reliance on such statements, which speak only as of the date made. 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 are 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 used to manage risk which primarily arises from certain intercompany purchase transactions are designated as foreign currency cash flow hedges when appropriate. In addition, we are exposed to foreign exchange transaction risk arising from non-functional currency denominated assets and liabilities and earnings denominated in non-U.S. dollar currencies. Foreign currency forward contracts used to offset these exposures are not designated as hedges.

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 $130 million at December 31, 2014, reducing 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 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 included in the foreign currency translation component of accumulated other comprehensive income/(loss). If our net investment decreases 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 “Item 8. Financial Statements—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 $85 million (excluding the effects of our counterparty and our own credit risk), reducing 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 $634 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 $123 million.

Credit Risk

Although not material, certain European government-backed entities with a higher risk of default are monitored through economic factors, including credit ratings, credit-default swap rates, debt-to-gross domestic product ratios and other 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 $130 million at December 31, 2014, 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 establishes 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. 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 “Item 8. Financial Statements—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	**2014**	2013	2012
Net product sales	**$ 11,660**	$ 12,304	$ 13,654
Alliance and other revenues	**4,219**	4,081	3,967
Total Revenues	**15,879**	16,385	17,621
Cost of products sold	**3,932**	4,619	4,610
Marketing, selling and administrative	**4,088**	4,084	4,220
Advertising and product promotion	**734**	855	797
Research and development	**4,534**	3,731	3,904
Impairment charge for BMS-986094 intangible asset	**—**	—	1,830
Other (income)/expense	**210**	205	(80)
Total Expenses	**13,498**	13,494	15,281
Earnings Before Income Taxes	**2,381**	2,891	2,340
Provision for/(Benefit from) Income Taxes	**352**	311	(161)
Net Earnings	**2,029**	2,580	2,501
Net Earnings Attributable to Noncontrolling Interest	**25**	17	541
Net Earnings Attributable to BMS	**$ 2,004**	$ 2,563	$ 1,960
Earnings per Common Share			
Basic	**$ 1.21**	$ 1.56	$ 1.17
Diluted	**$ 1.20**	$ 1.54	$ 1.16
Cash dividends declared per common share	**$ 1.45**	$ 1.41	$ 1.37

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Dollars in Millions

	Year Ended December 31,		
COMPREHENSIVE INCOME	**2014**	2013	2012
Net Earnings	**$ 2,029**	$ 2,580	$ 2,501
Other Comprehensive Income/(Loss), net of taxes and reclassifications to earnings:			
Derivatives qualifying as cash flow hedges	**69**	7	(27)
Pension and postretirement benefits	**(324)**	1,166	(118)
Available-for-sale securities	**3**	(37)	3
Foreign currency translation	**(32)**	(75)	(15)
Total Other Comprehensive Income/(Loss)	**(284)**	1,061	(157)
Comprehensive Income	**1,745**	3,641	2,344
Comprehensive Income Attributable to Noncontrolling Interest	**25**	17	535
Comprehensive Income Attributable to BMS	**$ 1,720**	$ 3,624	$ 1,809

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

CONSOLIDATED BALANCE SHEETS

Dollars in Million, Except Share and Per Share Data

	December 31, 2014	December 31, 2013
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 5,571	$ 3,586
Marketable securities	1,864	939
Receivables	3,390	3,360
Inventories	1,560	1,498
Deferred income taxes	1,644	1,701
Prepaid expenses and other	470	412
Assets held-for-sale	109	7,420
Total Current Assets	14,608	18,916
Property, plant and equipment	4,417	4,579
Goodwill	7,027	7,096
Other intangible assets	1,753	2,318
Deferred income taxes	915	508
Marketable securities	4,408	3,747
Other assets	621	1,428
Total Assets	$ 33,749	$ 38,592
LIABILITIES		
Current Liabilities:		
Short-term borrowings	$ 590	$ 359
Accounts payable	2,487	2,559
Accrued expenses	2,459	2,152
Deferred income	1,167	756
Accrued rebates and returns	851	889
Income taxes payable	262	160
Dividends payable	645	634
Liabilities related to assets held-for-sale	—	4,931
Total Current Liabilities	8,461	12,440
Pension, postretirement and postemployment liabilities	1,115	718
Deferred income	770	769
Income taxes payable	560	823
Other liabilities	618	625
Long-term debt	7,242	7,981
Total Liabilities	18,766	23,356
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 4,212 in 2014 and 4,369 in 2013, 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 2014 and 2013	221	221
Capital in excess of par value of stock	1,507	1,922
Accumulated other comprehensive loss	(2,425)	(2,141)
Retained earnings	32,541	32,952
Less cost of treasury stock — 547 million common shares in 2014 and 559 million in 2013	(16,992)	(17,800)
Total Bristol-Myers Squibb Company Shareholders' Equity	14,852	15,154
Noncontrolling interest	131	82
Total Equity	14,983	15,236
Total Liabilities and Equity	$ 33,749	$ 38,592

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Dollars in Millions

	Year Ended December 31,		
	2014	2013	2012
Cash Flows From Operating Activities:			
Net earnings	**$ 2,029**	$ 2,580	$ 2,501
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Net earnings attributable to noncontrolling interest	**(25)**	(17)	(541)
Depreciation and amortization, net	**467**	763	681
Deferred income taxes	**(542)**	(491)	(1,230)
Stock-based compensation	**213**	191	154
Impairment charges	**401**	40	2,180
Pension settlements and amortization	**971**	294	292
Proceeds from Amylin diabetes alliance	**—**	—	3,570
Gain on sale of businesses and other	**(567)**	(9)	(35)
Changes in operating assets and liabilities:			
Receivables	**(252)**	(504)	648
Inventories	**(254)**	(45)	(103)
Accounts payable	**(44)**	412	(232)
Deferred income	**613**	965	295
Income taxes payable	**171**	126	(50)
Other	**(33)**	(760)	(1,189)
Net Cash Provided by Operating Activities	**3,148**	3,545	6,941
Cash Flows From Investing Activities:			
Proceeds from sale and maturities of marketable securities	**4,095**	1,815	4,890
Purchases of marketable securities	**(5,719)**	(1,859)	(3,607)
Additions to property, plant and equipment and capitalized software	**(526)**	(537)	(548)
Business divestitures and other proceeds	**3,585**	9	68
Business acquisitions and other payments	**(219)**	—	(7,530)
Net Cash Provided by/(Used in) Investing Activities	**1,216**	(572)	(6,727)
Cash Flows From Financing Activities:			
Short-term debt borrowings, net	**244**	198	49
Proceeds from issuance of long-term debt	**—**	1,489	1,950
Repayments of long-term debt	**(676)**	(597)	(2,108)
Interest rate swap contract terminations	**105**	20	2
Issuances of common stock	**288**	564	463
Repurchases of common stock	**—**	(433)	(2,403)
Dividends	**(2,398)**	(2,309)	(2,286)
Net Cash Used in Financing Activities	**(2,437)**	(1,068)	(4,333)
Effect of Exchange Rates on Cash and Cash Equivalents	**58**	25	(1)
Increase/(Decrease) in Cash and Cash Equivalents	**1,985**	1,930	(4,120)
Cash and Cash Equivalents at Beginning of Year	**3,586**	1,656	5,776
Cash and Cash Equivalents at End of Year	**$ 5,571**	$ 3,586	$ 1,656

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 and all of its controlled majority-owned subsidiaries and certain variable interest entities (which may be referred to as Bristol-Myers Squibb, BMS, or the Company). 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 and are consolidated when BMS has both the power to direct the activities of the variable interest entity that most significantly impacts its economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the entity.

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; estimated selling prices used in multiple element arrangements; 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.

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" utilizing 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 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 2014 include our share price, 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. Estimating the impact of restructuring plans, including future termination benefits and other exit costs requires judgment. 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 $115 million in 2014, $119 million in 2013 and $125 million in 2012.

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 April 2014, the Financial Accounting Standards Board (FASB) issued amended guidance on the use and presentation of discontinued operations in an entity's consolidated financial statements. The new guidance restricts the presentation of discontinued operations to business circumstances when the disposal of business operations represents a strategic shift that has or will have a major effect on an entity's operations and financial results. The guidance becomes effective on January 1, 2015. Adoption is on a prospective basis.

In May 2014, the FASB issued a new standard related to revenue recognition, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The new standard will replace most of the existing revenue recognition standards in U.S. GAAP when it becomes effective on January 1, 2017. Early adoption is not permitted. The new standard can be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the change recognized at the date of the initial application in retained earnings. The Company is assessing the potential impact of the new standard on financial reporting and has not yet selected a transition method.

Note 2 BUSINESS SEGMENT INFORMATION

BMS operates in a single segment engaged in the discovery, development, licensing, manufacturing, marketing, distribution and sale of innovative medicines that help patients prevail over serious diseases. A global research and development organization and supply chain organization are responsible for the 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:

	2014	2013	2012
McKesson Corporation	**20%**	19%	23%
Cardinal Health, Inc.	**12%**	14%	19%
AmerisourceBergen Corporation	**17%**	15%	14%

Selected geographic area information was as follows:

	Total Revenues			Property, Plant and Equipment	
Dollars in Millions	2014	2013	2012	2014	2013
United States	**$ 7,716**	$ 8,318	$ 10,384	**$ 3,686**	$ 3,708
Europe	**3,592**	3,930	3,706	**597**	729
Rest of the World	**3,459**	3,295	3,204	**134**	142
Other[(a)]	**1,112**	842	327	**—**	—
Total	**$ 15,879**	$ 16,385	$ 17,621	**$ 4,417**	$ 4,579

(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, 2014	2013	2012
Virology			
Baraclude (entecavir)	$ 1,441	$ 1,527	$ 1,388
Hepatitis C Franchise[a]	256	—	—
Reyataz (atazanavir sulfate)	1,362	1,551	1,521
Sustiva (efavirenz) Franchise[b]	1,444	1,614	1,527
Oncology			
Erbitux (cetuximab)*	723	696	702
Opdivo (nivolumab)	6	—	—
Sprycel (dasatinib)	1,493	1,280	1,019
Yervoy (ipilimumab)	1,308	960	706
Neuroscience			
Abilify (aripiprazole)*[c]	2,020	2,289	2,827
Immunoscience			
Orencia (abatacept)	1,652	1,444	1,176
Cardiovascular			
Eliquis (apixaban)	774	146	2
Diabetes Alliance[d]	295	1,683	972
Mature Products and All Other[e]	3,105	3,195	5,781
Total Revenues	$ 15,879	$ 16,385	$ 17,621

(a) Includes *Daklinza* (daclatasvir) revenues of $201 million and *Sunvepra* (asunaprevir) revenues of $55 million in 2014.
(b) Includes alliance and other revenues of $1,255 million in 2014, $1,366 million in 2013 and $1,267 million in 2012.
(c) Includes alliance and other revenues of $1,778 million in 2014, $1,840 million in 2013 and $2,340 million in 2012.
(d) Includes *Bydureon** (exenatide extended-release for injectable suspension), *Byetta** (exenatide), *Farxiga*/Xigduo** (dapagliflozin/dapagliflozin and metformin hydrochloride), *Onglyza*/Kombiglyze** (saxagliptin/saxagliptin and metformin), *Myalept** (metreleptin) and *Symlin** (pramlintide acetate). BMS sold its diabetes business to AstraZeneca on February 1, 2014.
(e) Includes *Plavix** (clopidogrel bisulfate) revenues of $208 million in 2014, $258 million in 2013 and $2,547 million in 2012. Additionally, includes *Avapro*/Avalide** (irbesartan/irbesartan-hydrochlorothiazide) revenues of $211 million in 2014, $231 million in 2013 and $503 million in 2012.

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. Several key products such as *Abilify**, *Sprycel*, *Sustiva* (*Atripla**), *Eliquis, Erbitux* and Opdivo*, as well as products comprising the diabetes alliance discussed below and certain mature and other brands are included in alliance arrangements.

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 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, except as otherwise described below.

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	**2014**	2013	2012
Revenues from alliances:			
Net product sales	**$ 3,531**	$ 4,417	$ 6,124
Alliance and other revenues	**3,828**	3,804	3,748
Total Revenues	**$ 7,359**	$ 8,221	$ 9,872
Payments to/(from) alliance partners:			
Cost of products sold	**$ 1,394**	$ 1,356	$ 1,706
Marketing, selling and administrative	**44**	(125)	(80)
Advertising and product promotion	**90**	(58)	(97)
Research and development	**(70)**	(140)	4
Other (income)/expense	**(1,076)**	(313)	(489)
Noncontrolling interest, pre-tax	**38**	36	844

Selected Alliance Balance Sheet Information:	December 31,	
Dollars in Millions	**2014**	2013
Receivables – from alliance partners	**$ 888**	$ 1,122
Accounts payable – to alliance partners	**1,479**	1,396
Deferred income from alliances[(a)]	**1,493**	5,089

(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 co-develop and co-promote *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 on April 20, 2015. The agreement expired 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 20, 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. and was the principal in the EU prior to termination in June 2014. BMS is the principal for third-party product sales where it is the exclusive distributor for or has an exclusive right to sell *Abilify**.

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. 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 year end. BMS's annual contractual share was 33% in 2014 and 34% 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 EU, BMS's contractual share of third-party net sales was 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 on April 20, 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 and 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.

Summarized financial information related to this alliance was as follows:

Dollars in Millions	Year Ended December 31, 2014	2013	2012
Revenues from Otsuka alliances:			
Net product sales	$ 1,493	$ 1,543	$ 1,386
Alliance and other revenues[(a)]	1,778	1,840	2,340
Total Revenues	$ 3,271	$ 3,383	$ 3,726
Payments to/(from) Otsuka:			
Cost of products sold:			
Oncology fee	$ 297	$ 295	$ 138
Royalties	90	86	78
Amortization of intangible assets	—	—	5
Cost of product supply	67	135	153
Cost reimbursements to/(from) Otsuka recognized in:			
Cost of products sold	3	3	2
Marketing, selling and administrative	61	34	7
Advertising and product promotion	32	(42)	(49)
Research and development	3	(5)	(7)
Other (income)/expense	(9)	—	—

Selected Alliance Balance Sheet information: Dollars in Millions	December 31, 2014	2013
Other assets – extension payment	$ 21	$ 87

(a) Includes the amortization of the extension payment as a reduction to alliance and other revenue of $66 million in 2014, 2013 and 2012.

AstraZeneca

Prior to the diabetes business divestiture discussed below, BMS had an alliance with AstraZeneca consisting of three worldwide co-development and commercialization agreements covering (1) *Onglyza** and related combination products sold under various names, (2) *Farxiga** and related combination products and, (3) beginning in August 2012 after BMS's acquisition of Amylin Pharmaceuticals, Inc. (Amylin), Amylin's portfolio of products including *Bydureon**, *Byetta**, *Symlin** and *Myalept**, as well as certain assets owned by Amylin, including a manufacturing facility located in West Chester, Ohio.

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, 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, upfront 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, *Myalept** 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.

Prior to the termination of the alliance, BMS received non-refundable upfront, milestone and other licensing payments of $300 million related to *Onglyza** and $250 million related to *Farxiga**. Amortization of the *Onglyza** and *Farxiga** deferred income was included in other income as *Onglyza** and *Farxiga** were not commercial products at the commencement of the alliance. Both parties also shared most commercialization and development expenses equally, as well as profits and losses.

In February 2014, BMS and AstraZeneca terminated their alliance agreements and BMS sold to AstraZeneca substantially all of the diabetes business comprising the alliance. The divestiture included the shares of Amylin and the resulting transfer of its Ohio manufacturing facility; the intellectual property related to *Onglyza** and *Farxiga** (including BMS's interest in the out-licensing agreement for *Onglyza** in Japan); and the future purchase of BMS's manufacturing facility located in Mount Vernon, Indiana in 2015. Substantially all employees dedicated to the diabetes business were transferred to AstraZeneca. The sale of the business has been completed in all jurisdictions.

BMS and AstraZeneca entered into several agreements in connection with the sale, including a supply agreement, a development agreement and a transitional services agreement. Under those agreements, BMS is obligated to supply certain products, including the active product ingredients for *Onglyza** and *Farxiga** through 2020; to perform ongoing development activities for certain clinical trial programs through 2016; and to provide transitional services such as accounting, financial services, customer service, distribution, regulatory, development, information technology and certain other administrative services for various periods in order to facilitate the orderly transfer of the business operations. Annual costs attributed to the development agreement are not expected to exceed approximately $115 million for both 2015 and 2016.

Consideration for the transaction includes a $2.7 billion payment at closing; contingent regulatory and sales-based milestone payments of up to $1.4 billion (including $800 million related to approval milestones and $600 million related to sales-based milestones, payable in 2020); royalty payments based on net sales through 2025 and payments up to $225 million if and when certain assets are transferred to AstraZeneca. AstraZeneca will also pay BMS for any required product supply at a price approximating the product cost as well as negotiated transitional service fees.

Royalty rates on net sales are as follows:

	2014	2015	2016	2017	2018 - 2025
*Onglyza** and *Farxiga** Worldwide Net Sales up to $500 million	44%	35%	27%	12%	14-25%
*Onglyza** and *Farxiga** Worldwide Net Sales over $500 million	3%	7%	9%	12%	14-25%
Amylin products U.S. Net Sales	—	2%	2%	5%	5-12%

The stock and asset purchase agreement contains multiple elements to be delivered subsequent to the closing of the transaction, including the China diabetes business (transferred during the third quarter of 2014), the Mount Vernon, Indiana manufacturing facility, and the activities under the development and supply agreements. Each of these elements was determined to have a standalone value. As a result, a portion of the consideration received at closing was allocated to the undelivered elements using the relative selling price method after determining the best estimated selling price for each element. The remaining amount of consideration was included in the calculation for the gain on sale of the diabetes business. Contingent milestone and royalty payments are similarly allocated among the underlying elements if and when the amounts are determined to be payable to BMS. Amounts allocated to the sale of the business are immediately recognized in the results of operations. Amounts allocated to the other elements are recognized in the results of operations only to the extent each element has been delivered.

Consideration of $3.8 billion was accounted for in 2014, substantially all in the first quarter (including royalties and $700 million of contingent regulatory milestone payments related to the approval of *Farxiga** in both the U.S. and Japan). Approximately $3.3 billion of the consideration was allocated to the sale of the business and the remaining $492 million was allocated to the undelivered elements described above. The consideration includes $235 million of earned royalties, including $192 million allocated to elements that were delivered. The gain on sale of the diabetes business was $536 million, including $292 million during the third quarter of 2014 resulting primarily from the transfer of the China diabetes business to AstraZeneca. The gain was based on the difference between the consideration allocated to the sale of the business excluding royalties (net of transaction fees) and the carrying value of the diabetes business net assets (including a $600 million allocation of goodwill and the reversal of $821 million of net deferred tax liabilities attributed to Amylin).

Consideration allocated to the Mount Vernon, Indiana manufacturing facility will continue to be deferred until transferred to AstraZeneca. Consideration allocated to the development and supply agreements will continue to be amortized over the applicable service periods. Amortization of deferred income attributed to the development agreement was included in other income as the sale of these services are not considered part of BMS's ongoing major or central operations. Revenues attributed to the supply agreement were included in alliance and other revenues.

Consideration for the transaction is presented for cash flow purposes based on the allocation process described above, either as an investing activity if attributed to the sale of the business or related assets or as an operating activity if attributed to the transitional services, supply arrangement or development agreement.

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

	Year Ended December 31,		
Dollars in Millions	**2014**	2013	2012
Revenues from AstraZeneca alliances:			
Net product sales	**$ 160**	$ 1,658	$ 962
Alliance and other revenues	**135**	16	10
Total Revenues	**$ 295**	$ 1,674	$ 972
Payments to/(from) AstraZeneca:			
Cost of products sold:			
Profit sharing	**$ 79**	$ 673	$ 425
Amortization of deferred income	**—**	(307)	(126)
Cost reimbursements to/(from) AstraZeneca recognized in:			
Cost of products sold	**(9)**	(25)	(4)
Marketing, selling and administrative	**(6)**	(127)	(66)
Advertising and product promotion	**(2)**	(45)	(43)
Research and development	**(16)**	(86)	(25)
Other (income)/expense:			
Amortization of deferred income	**(80)**	(31)	(38)
Provision for restructuring	**(2)**	(25)	(21)
Royalties	**(192)**	—	—
Transitional services	**(90)**	—	—
Gain on sale of business	**(536)**	—	—
Selected Alliance Cash Flow information:			
Deferred income	**315**	215	3,547
Business divestitures and other proceeds	**3,495**	—	—

Selected Alliance Balance Sheet information:	December 31,	
Dollars in Millions	**2014**	2013
Deferred income attributed to:		
Non-refundable upfront, milestone and other licensing receipts[(a)]	**$ —**	$ 3,671
Assets not yet transferred to AstraZeneca	**176**	—
Services not yet performed for AstraZeneca	**226**	—

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

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**. The joint ventures or Gilead 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 in Europe recognized by BMS is equal to the difference between the average net selling prices of *Atripla** and *Truvada**. This alliance will continue in Europe 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	**2014**	2013	2012
Revenues from Gilead alliances:			
Alliance and other revenues	**$ 1,255**	$ 1,366	$ 1,267
Equity in net loss of affiliates	**$ 39**	$ 17	$ 18

Selected Alliance Balance Sheet information:	December 31,	
Dollars in Millions	**2014**	2013
Deferred income	**$ 316**	$ 468

Lilly

BMS has an Epidermal Growth Factor Receptor (EGFR) commercialization agreement with Eli Lilly and Company (Lilly) through Lilly's subsidiary ImClone for the co-development and co-promotion of *Erbitux** in the U.S., Canada and Japan. Under the EGFR agreement, both parties actively participate in a joint executive committee and various other operating committees and share responsibilities for research and development using resources in their own infrastructures. With respect to *Erbitux**, Lilly manufactures bulk requirements for cetuximab in its own facilities and filling and finishing is performed by a third party for which BMS has oversight responsibility. BMS is responsible for promotional efforts in North America although Lilly has the right to co-promote at their own expense. BMS also has co-development and co-promotion rights in Canada and Japan. BMS is the principal in third-party customer sales in North America and pays Lilly a distribution fee for 39% of *Erbitux** net sales in North America plus a share of certain royalties paid by Lilly. The agreement expires as to *Erbitux** in North America in September 2018.

BMS shared rights to *Erbitux** in Japan under an agreement with Lilly and Merck KGaA and received 50% of the pre-tax profit from Merck KGaA's net sales of *Erbitux** in Japan which was further shared equally with Lilly. In December 2014, BMS agreed to transfer its co-commercialization rights in Japan to Merck KGaA in May 2015 in exchange for future royalties through 2032 which will be included in other income when earned.

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.

License acquisition costs of $500 million associated with the *Erbitux** alliance agreement are amortized through 2018.

Summarized financial information related to this alliance was as follows:

	Year Ended December 31,		
Dollars in Millions	**2014**	2013	2012
Revenues from Lilly alliance:			
Net product sales	**$ 691**	$ 696	$ 702
Alliance and other revenues	**32**	—	—
Total revenues	**$ 723**	$ 696	$ 702
Payments to/(from) Lilly:			
Cost of products sold:			
Distribution fees and royalties	**$ 287**	$ 289	$ 291
Amortization of intangible asset	**37**	37	38
Cost of product supply	**69**	65	81
Cost reimbursements to/(from) Lilly	**—**	(13)	23
Other (income)/expense – Japan commercialization fee	**—**	(30)	(37)

Selected Alliance Balance Sheet information	December 31,	
Dollars in Millions	**2014**	2013
Other intangible assets – Non-refundable upfront, milestone and other licensing payments	**$ 137**	$ 174

BMS acquired Amylin Pharmaceuticals, Inc. (Amylin) in August 2012 (see "—Note 4. Acquisitions" for further information). Amylin 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 prior to the acquisition. The transition of non-U.S. operations in a majority of markets was completed in April 2013 terminating Lilly's non-U.S. exclusive right. 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 co-development and co-commercialization 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 continues unchanged through December 2019 under the same terms as the original alliance arrangements described below. In exchange for the rights transferred to Sanofi, BMS receives quarterly royalties from January 1, 2013 until December 31, 2018 and a terminal payment from Sanofi of $200 million at the end of 2018.

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 and were $223 million in 2014 and $220 million in 2013. Development and opt-out royalty income of $143 million in 2012 was included in other (income)/expense. Development royalty expense due Sanofi was $2 million in 2014 and 2013 presented in cost of products sold and $67 million in 2012 presented 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. 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 $90 million in 2014, $116 million in 2013 and $117 million in 2012. The supply arrangement for irbesartan expires in 2015.

Prior to the restructuring, BMS's worldwide alliance with Sanofi for the co-development and co-commercialization 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 consolidated 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	2014	2013	2012
Revenues from Sanofi alliances:			
Net product sales	$ 102	$ 153	$ 2,930
Alliance and other revenues	317	336	120
Total Revenues	$ 419	$ 489	$ 3,050
Payments to/(from) Sanofi:			
Cost of product supply	$ 2	$ 4	$ 81
Cost of products sold – Royalties	4	4	530
Equity in net income of affiliates	(146)	(183)	(201)
Other (income)/expense	—	(18)	(171)
Noncontrolling interest – pre-tax	38	36	844
Selected Alliance Cash Flow information:			
Distributions (to)/from Sanofi - Noncontrolling interest	(49)	43	(742)
Distributions from Sanofi - Investment in affiliates	153	149	229

Selected Alliance Balance Sheet information:	December 31,	
Dollars in Millions	2014	2013
Investment in affiliates – territory covering Europe and Asia[(a)]	$ 32	$ 43
Noncontrolling interest	38	49

(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	2014	2013	2012
Net sales	$ 360	$ 395	$ 1,077
Gross profit	297	319	453
Net income	$ 292	$ 313	$ 394

Cost of products sold for the territory covering Europe and Asia includes discovery royalties of $32 million in 2014, $38 million in 2013 and $133 million in 2012, which are paid directly to Sanofi. All other expenses are shared based on the applicable ownership percentages. Current assets and current liabilities include approximately $94 million in 2014, $108 million in 2013 and $293 million in 2012 related to receivables/payables attributed to cash distributions to BMS and Sanofi as well as intercompany balances between partnerships within the territory.

Pfizer

BMS and Pfizer, Inc. (Pfizer) maintain a worldwide co-development and co-commercialization 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 profits and losses equally on a global basis. In certain countries, Pfizer commercializes *Eliquis* and pays BMS compensation based on a percentage of net sales.

Upon entering into the agreement, co-exclusive license rights for the product were granted to Pfizer in exchange for an upfront payment and potential milestone payments. Both parties assumed certain obligations to actively participate in the alliance and 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 most countries.

We 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 receive 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 and upfront proceeds and any subsequent contingent milestone proceeds are amortized over the life of the related product.

BMS received $864 million in non-refundable upfront, milestone and other licensing payments related to *Eliquis* to date. 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	**2014**	2013	2012
Revenues from Pfizer alliance:			
Net product sales	**$ 771**	$ 144	$ 2
Alliance and other revenues	**3**	2	—
Total Revenues	**$ 774**	$ 146	$ 2
Payments to/(from) Pfizer:			
Cost of products sold – Profit sharing	**$ 363**	$ 69	$ 1
Cost reimbursements to/(from) Pfizer	**26**	4	(11)
Other (income)/expense – Amortization of deferred income	**(50)**	(41)	(37)
Selected Alliance Cash Flow information:			
Deferred income	**100**	205	20

Selected Alliance Balance Sheet information:	December 31,	
Dollars in Millions	**2014**	2013
Deferred income	**$ 611**	$ 581

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 receives royalties on net sales of the products and exclusively supplies certain of the products to Reckitt 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). In April 2014, the alliance was modified to provide an option to Reckitt to purchase a BMS manufacturing facility located in Mexico primarily dedicated to the products included in the alliance. The options can only be exercised together. Substantially all employees at the facility are expected to be transferred to Reckitt if the option is exercised. 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 and the fair value of the option to purchase the remaining assets 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. A $15 million charge was included in other expenses to increase the fair value of the option to $129 million in 2014. The amount allocated to the rights transferred to Reckitt is amortized as alliance and other revenue over the contractual term.

Summarized financial information related to this alliance was as follows:

Dollars in Millions	Year Ended December 31, 2014	2013
Revenues from Reckitt alliance:		
Alliance and other revenues	$ 170	$ 116
Selected Alliance Cash Flow Information:		
Deferred income	$ —	$ 376
Other changes in operating assets and liabilities	20	109

Selected Alliance Balance Sheet information: Dollars in Millions	December 31, 2014	2013
Deferred income	$ 155	$ 290

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 exclusively supplies *Recothrom* to The Medicines Company at cost plus a markup and receives 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 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). The Medicines Company exercised the option and acquired the business for $132 million in February 2015. See "—Note 5. Assets Held-For-Sale" for further information.

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 and the fair value of the option to purchase the remaining assets 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 $35 million at December 31, 2014 and was determined using Level 3 inputs and included in accrued expenses. The amount allocated to the rights transferred to The Medicines Company is amortized as alliance and other revenue over the contractual term.

Summarized financial information related to this alliance was as follows:

Dollars in Millions	Year Ended December 31, 2014	2013
Revenues from The Medicines Company alliance:		
Alliance and other revenues	$ 66	$ 74
Selected Alliance Cash Flow Information:		
Deferred income	$ —	$ 80
Other changes in operating assets and liabilities	—	35

Selected Alliance Balance Sheet information: Dollars in Millions	December 31, 2014	2013
Deferred income	$ 3	$ 44

Valeant

In October 2012, BMS and PharmaSwiss SA, a wholly-owned subsidiary of Valeant Pharmaceuticals International Inc. (Valeant) entered into an 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. BMS exclusively supplies the products to Valeant 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. Valeant exercised the option and acquired the business for $61 million in January 2015.

Non-refundable upfront proceeds of $79 million received by BMS were allocated to two units of accounting, including the rights transferred to Valeant and the fair value of the option to purchase the remaining assets 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. A $16 million charge was included in other expenses to increase the fair value of the option to $34 million in 2014. The amount allocated to the rights transferred to Valeant is amortized as alliance and other revenue over the contractual term.

Summarized financial information related to this alliance was as follows:

	Year Ended December 31,		
Dollars in Millions	**2014**	2013	2012
Revenues from Valeant alliance:			
Net product sales	**$ —**	$ 4	$ 5
Alliance and other revenues	**44**	49	5
Total Revenues	**$ 44**	$ 53	$ 10
Selected Alliance Cash Flow Information:			
Deferred income	**$ —**	$ —	$ 61
Other changes in operating assets and liabilities	**16**	—	18

Selected Alliance Balance Sheet information:	December 31,	
Dollars in Millions	**2014**	2013
Deferred income	**$ —**	$ 26

Ono

BMS and Ono Pharmaceutical Co., Ltd (Ono) have an alliance agreement to develop and commercialize *Opdivo*, an anti-PD-1 human monoclonal antibody being investigated as an anti-cancer treatment. BMS has the exclusive right to develop, manufacture and commercialize *Opdivo* in all territories worldwide except Japan, South Korea and Taiwan (where Ono was responsible for all development and commercialization prior to the amendment discussed below). Ono is entitled to receive royalties following regulatory approvals in all territories excluding the three countries listed above. The royalty rates are 4% in North America and 15% in all other applicable territories.

The alliance agreement was amended in July 2014 to provide for additional collaboration activities in Japan, South Korea and Taiwan pertaining to *Opdivo* and several other BMS compounds including ipilimumab, lirilumab, urelumab and BMS-986016 (anti-LAG3). Both parties have the right and obligation to jointly develop and commercialize the compounds. BMS is responsible for supply of the product. Profits, losses and development costs are shared equally for all combination therapies involving compounds of both parties. Otherwise, sharing is 80% and 20% for activities involving only one of the party's compounds.

BMS and Ono also co-develop and co-commercialize *Orencia* in Japan. BMS is responsible for the order fulfillment and distribution of the intravenous formulation and Ono is responsible for the subcutaneous formulation. Both formulations are jointly promoted by both parties with assigned customer accounts and BMS is responsible for the product supply. A co-promotion fee of 60% is paid to the other party when a sale is made to that party's assigned customer.

Summarized financial information related to this alliance was as follows:

Dollars in Millions	Year Ended December 31, 2014	2013	2012
Revenues from Ono alliances:			
Net product sales	$ 113	$ 41	$ —
Alliance and other revenues	28	4	—
Total Revenues	$ 141	$ 45	$ —
Payments to/(from) Ono:			
Cost of products sold:			
Co-Promotion Fee	$ 20	$ 11	$ —
Cost reimbursements to/(from) Ono recognized in:			
Research and development	(15)	(12)	(11)

F-star

In October 2014, BMS entered into an agreement with F-star Alpha Ltd. (F-star). The agreement provides BMS with an exclusive option to purchase F-star Alpha Ltd. and its Phase 1 ready lead asset FS102, a targeted therapy in development for the treatment of breast and gastric cancer among a well-defined population of HER2-positive patients.

BMS paid $50 million to F-star and its shareholders in 2014 for the option fee and certain licensing rights (included in research and development expenses) and is responsible for conducting and funding the development of FS102. The option is exercisable at BMS's discretion and expires upon the earlier of 60 days following obtaining proof of concept or June 2018. An additional $100 million will be payable upon the exercise of the option plus an additional aggregate consideration of $325 million for contingent development and regulatory approval milestone payments in the U.S. and Europe. BMS is not obligated to provide any additional financial support to F-star.

F-star was determined not to be a business as defined in ASC 805 - Business Combinations. As a result, contingent consideration was not included in the purchase price and no goodwill was recognized. However, F-star is a variable interest entity as its equity holders lack the characteristics of a controlling financial interest. BMS was determined to be the primary beneficiary because of both its power to direct the activities most significantly and directly impacting the economic performance of the entity and its option rights described above. Upon consolidation, noncontrolling interest was credited by $59 million to reflect the fair value of the FS102 IPRD asset ($75 million) and deferred tax liabilities.

Note 4 ACQUISITIONS

iPierian, Inc. Acquisition

In April 2014, BMS acquired all of the outstanding shares of iPierian, Inc. (iPierian), a biotechnology company focused on new treatments for tauopathies, a class of neurodegenerative diseases. The acquisition provides BMS with full rights to IPN007, a preclinical monoclonal antibody to treat progressive supranuclear palsy and other tauopathies. The consideration includes an upfront payment of $175 million, contingent development and regulatory milestone payments up to $550 million and future royalties on net sales if any of the acquired preclinical assets are approved and commercialized. No significant iPierian processes were acquired, therefore the transaction was accounted for as an asset acquisition because iPierian was determined not to be a business. The upfront payment allocated to IPN007 was $148 million and included in research and development expenses. The remaining $27 million was allocated to deferred tax assets for net operating losses and tax credit carryforwards.

Amylin Pharmaceuticals, Inc. Acquisition

In August 2012, BMS acquired all 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 3. Alliances—AstraZeneca" 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

In February 2012, BMS acquired all 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. For further information discussion of the impairment charge, see "—Note 14. Goodwill and Other Intangible Assets."

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

Dollars in Millions

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

Cash paid for the acquisition of Amylin included payments of $5.1 billion 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 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

As discussed in "—Note 3. Alliances", BMS sold its diabetes business to AstraZeneca in February 2014 which previously comprised the global alliance with them. The diabetes 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. Assets held-for-sale at December 31, 2014 are related to alliances with The Medicines Company and Valeant. The allocation of goodwill was based on the relative fair value of the businesses divested to the Company's reporting unit.

The following table provides the assets and liabilities classified as held-for-sale:

Dollars in Millions	December 31, 2014	December 31, 2013
Assets		
Receivables	$ —	$ 83
Inventories	38	163
Deferred income taxes - current	—	125
Prepaid expenses and other	—	20
Property, plant and equipment	—	678
Goodwill	19	550
Other intangible assets	52	5,682
Other assets	—	119
Assets held-for-sale	$ 109	$ 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
Liabilities related to assets held-for-sale	$ —	$ 4,931

Note 6 OTHER (INCOME)/EXPENSE

Other (income)/expense includes:

	Year Ended December 31,		
Dollars in Millions	2014	2013	2012
Interest expense	$ 203	$ 199	$ 182
Investment income	(101)	(104)	(106)
Provision for restructuring	163	226	174
Litigation charges/(recoveries)	23	20	(45)
Equity in net income of affiliates	(107)	(166)	(183)
Out-licensed intangible asset impairment	29	—	38
Gain on sale of product lines, businesses and assets	(564)	(2)	(53)
Other alliance and licensing income	(404)	(148)	(312)
Pension curtailments, settlements and special termination benefits	877	165	158
Other	91	15	67
Other (income)/expense	$ 210	$ 205	$ (80)

Note 7 RESTRUCTURING

The following is the provision for restructuring:

Dollars in Millions	Year Ended December 31, 2014	2013	2012
Employee termination benefits	$ 157	$ 211	$ 145
Other exit costs	6	15	29
Provision for restructuring	$ 163	$ 226	$ 174

Restructuring charges included employee termination benefits for manufacturing, selling, administrative, and research and development workforce reductions across all geographic regions of approximately 1,387 in 2014, 1,450 in 2013 and 1,205 in 2012. The restructuring actions were primarily related to specialty care transformation initiatives in 2014 designed to create a more simplified organization across all functions and geographic markets, and sales force reductions in several European countries in 2013 following the restructuring of the Sanofi and Otsuka alliance agreements. Subject to local regulations, costs are not recognized until completion of discussions with works councils. Additional costs of $100 million are expected to be incurred for specialty care transformation initiatives in 2015.

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

Dollars in Millions	Year Ended December 31, 2014	2013	2012
Liability at January 1	$ 102	$ 167	$ 77
Charges	155	249	178
Change in estimates	8	(23)	(4)
Provision for restructuring	163	226	174
Foreign currency translation	(2)	4	(1)
Amylin acquisition	—	—	26
Liabilities related to assets held-for-sale	—	(67)	—
Spending	(107)	(228)	(109)
Liability at December 31	$ 156	$ 102	$ 167

Note 8 INCOME TAXES

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

Dollars in Millions	Year Ended December 31, 2014	2013	2012
Current:			
U.S.	$ 334	$ 375	$ 627
Non-U.S.	560	427	442
Total Current	894	802	1,069
Deferred:			
U.S.	(403)	(390)	(1,164)
Non-U.S	(139)	(101)	(66)
Total Deferred	(542)	(491)	(1,230)
Total Provision/(Benefit)	$ 352	$ 311	$ (161)

Effective Tax Rate

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

	% of Earnings Before Income Taxes					
Dollars in Millions	**2014**		2013		2012	
Earnings/(Loss) before income taxes:						
U.S.	**$ (349)**		$ (135)		$ (271)	
Non-U.S.	**2,730**		3,026		2,611	
Total	**$ 2,381**		$ 2,891		$ 2,340	
U.S. statutory rate	**833**	35.0 %	1,012	35.0 %	819	35.0 %
Foreign tax effect of certain operations in Ireland, Puerto Rico and Switzerland	**(509)**	(21.4)%	(620)	(21.4)%	(688)	(29.4)%
U.S. tax effect of capital losses	**(361)**	(15.2)%	—	—	(392)	(16.7)%
U.S. Federal, state and foreign contingent tax matters	**228**	9.6 %	134	4.6 %	66	2.8 %
U.S. Federal research based credits	**(131)**	(5.4)%	(220)	(7.6)%	(31)	(1.4)%
Goodwill related to diabetes divestiture	**210**	8.8 %	—	—	—	—
U.S. Branded Prescription Drug Fee	**84**	3.5 %	63	2.2 %	90	3.8 %
R&D charge	**52**	2.2 %	—	—	—	—
State and local taxes (net of valuation allowance)	**20**	0.8 %	25	0.9 %	20	0.9 %
Foreign and other	**(74)**	(3.1)%	(83)	(2.9)%	(45)	(1.9)%
	$ 352	14.8 %	$ 311	10.8 %	$ (161)	(6.9)%

The effective tax rate is lower than the U.S. statutory rate of 35% primarily attributable to undistributed earnings of certain foreign subsidiaries that have been considered or are expected to be indefinitely reinvested offshore. U.S. taxes have not been provided on approximately $24 billion of undistributed earnings of foreign subsidiaries as of December 31, 2014. These undistributed earnings primarily relate to operations in Ireland and Puerto Rico, which operate under favorable tax grants not scheduled to expire prior to 2023. If these undistributed earnings are repatriated to the U.S. in the future, or if it were determined that such earnings are to be remitted in the foreseeable future, additional tax provisions would be required. Due to complexities in the tax laws and assumptions that would have to be made, it is not practicable to estimate the amounts of income taxes that will have to be provided. Reforms to U.S. tax laws related to foreign earnings have been proposed and if adopted, may increase taxes, which could reduce the results of operations and cash flows.

The divestiture of the diabetes business resulted in a $361 million capital loss tax benefit from the sale of Amylin shares in 2014. Additional reserves of $123 million were established in 2014 for certain transfer pricing matters related to tax periods from 2008 through 2014. Goodwill allocated to the diabetes business divestiture, U.S. Branded Prescription Drug Fee and the research and development charge from the acquisition of iPierian in 2014 were not deductible for tax purposes. The retroactive reinstatement of the 2012 U.S. Federal research and development credit in 2013 resulted in additional tax credits of $82 million in 2013. The tax insolvency of Inhibitex resulted in a $392 million capital loss tax benefit in 2012. Orphan drug credits are included in the U.S. Federal research based credits for all periods presented.

Deferred Taxes and Valuation Allowance

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

Dollars in Millions	December 31, 2014	2013
Deferred tax assets		
Foreign net operating loss carryforwards	$ 3,473	$ 3,892
Milestone payments and license fees	440	483
Deferred income	1,163	2,168
U.S. capital loss carryforwards	562	784
U.S. Federal net operating loss carryforwards	135	138
Pension and postretirement benefits	467	120
State net operating loss and credit carryforwards	337	377
Intercompany profit and other inventory items	531	495
U.S. Federal tax credit carryforwards	26	23
Other foreign deferred tax assets	202	187
Share-based compensation	95	107
Legal settlements	14	20
Repatriation of foreign earnings	94	49
Internal transfer of intellectual property	247	223
Other	311	357
Total deferred tax assets	8,097	9,423
Valuation allowance	(4,259)	(4,623)
Net deferred tax assets	3,838	4,800
Deferred tax liabilities		
Depreciation	(128)	(148)
Acquired intangible assets	(390)	(2,567)
Other	(832)	(780)
Total deferred tax liabilities	(1,350)	(3,495)
Deferred tax assets, net	$ 2,488	$ 1,305
Recognized as:		
Assets held-for-sale	$ —	$ 125
Deferred income taxes – current	1,644	1,701
Deferred income taxes – non-current	915	508
Income taxes payable – current	(11)	(10)
Liabilities related to assets held-for-sale	—	(946)
Income taxes payable – non-current	(60)	(73)
Total	$ 2,488	$ 1,305

The U.S. Federal net operating loss carryforwards were $386 million at December 31, 2014. 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 $1,564 million can be carried back to 2009 and the carryforward amount expires in various amounts beginning in 2017. The foreign and state net operating loss carryforwards expire in varying amounts beginning in 2015 (certain amounts have unlimited lives).

At December 31, 2014, a valuation allowance of $4,259 million was established for the following items: $3,457 million primarily for foreign net operating loss and tax credit carryforwards, $354 million for state deferred tax assets including net operating loss and tax credit carryforwards, $12 million for U.S. Federal net operating loss carryforwards and $436 million for U.S. Federal and state capital losses.

Changes in the valuation allowance were as follows:

	Year Ended December 31,		
Dollars in Millions	**2014**	2013	2012
Balance at beginning of year	**$ 4,623**	$ 4,404	$ 3,920
Provision	**140**	252	494
Utilization	**(109)**	(68)	(145)
Foreign currency translation	**(395)**	40	39
Acquisitions	**—**	(5)	96
Balance at end of year	**$ 4,259**	$ 4,623	$ 4,404

Income tax payments were $544 million in 2014, $478 million in 2013 and $676 million in 2012. The current tax benefit realized as a result of stock related compensation credited to capital in excess of par value of stock was $131 million in 2014, $129 million in 2013 and $71 million in 2012.

Business is conducted in various countries throughout the world and is subject to tax in numerous jurisdictions. A significant number of tax returns that are filed are 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	**2014**	2013	2012
Balance at beginning of year	**$ 756**	$ 642	$ 628
Gross additions to tax positions related to current year	**106**	74	46
Gross additions to tax positions related to prior years	**218**	108	66
Gross additions to tax positions assumed in acquisitions	**—**	—	31
Gross reductions to tax positions related to prior years	**(57)**	(87)	(57)
Settlements	**(65)**	26	(54)
Reductions to tax positions related to lapse of statute	**(12)**	(8)	(19)
Cumulative translation adjustment	**(12)**	1	1
Balance at end of year	**$ 934**	$ 756	$ 642

Additional information regarding unrecognized tax benefits is as follows:

Dollars in Millions	Year Ended December 31, 2014	2013	2012
Unrecognized tax benefits that if recognized would impact the effective tax rate	$ 668	$ 508	$ 633
Accrued interest	96	83	59
Accrued penalties	17	34	32
Interest expense	27	24	14
Penalty expense/(benefit)	(7)	3	16

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.

Effective January 2014, BMS adopted an update from the FASB 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. Non-current deferred tax assets and income tax liabilities were reduced by $236 million upon adoption.

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, 2014 will decrease in the range of approximately $310 million to $370 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. It is reasonably possible that new issues will be raised by tax authorities that may increase unrecognized tax benefits; however, an estimate of such increases cannot reasonably be made at this time. BMS believes that it has adequately provided for all open tax years by tax jurisdiction.

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 2014
Canada	2006 to 2014
France	2012 to 2014
Germany	2007 to 2014
Italy	2003 to 2014
Mexico	2009 to 2014

Note 9 EARNINGS PER SHARE

Amounts in Millions, Except Per Share Data	Year Ended December 31, 2014	2013	2012
Net Earnings Attributable to BMS	$ 2,004	$ 2,563	$ 1,960
Earnings attributable to unvested restricted shares	—	—	(1)
Net Earnings Attributable to BMS common shareholders	$ 2,004	$ 2,563	$ 1,959
Earnings per share - basic	$ 1.21	$ 1.56	$ 1.17
Weighted-average common shares outstanding - basic	1,657	1,644	1,670
Contingently convertible debt common stock equivalents	1	1	1
Incremental shares attributable to share-based compensation plans	12	17	17
Weighted-average common shares outstanding - diluted	1,670	1,662	1,688
Earnings per share - diluted	$ 1.20	$ 1.54	$ 1.16
Anti-dilutive weighted-average equivalent shares - stock incentive plans	—	—	2

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 accessible at the measurement date for identical assets or liabilities. The fair value hierarchy provides the highest priority to Level 1 inputs.

Level 2 inputs utilize observable prices for similar instruments, non-binding quoted prices for identical or similar instruments in non-active markets, and other observable inputs 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 using 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 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, 2014. 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 volatility in underlying foreign currencies and underlying interest rates driven by market conditions and the duration of the contract. Credit adjustment volatility may have a significant impact on the valuation of interest rate swap contracts resulting from 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 (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 was estimated utilizing a model that considered the probability of achieving each milestone and discount rates.

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

Dollars in Millions	December 31, 2014 Level 1	Level 2	Level 3	Total	December 31, 2013 Level 1	Level 2	Level 3	Total
Cash and cash equivalents - Money market and other securities	$ —	$5,051	$ —	$ 5,051	$ —	$3,201	$ —	$ 3,201
Marketable securities								
Certificates of deposit	—	896	—	896	—	122	—	122
Corporate debt securities	—	5,259	—	5,259	—	4,432	—	4,432
Equity funds	—	94	—	94	—	74	—	74
Fixed income funds	—	11	—	11	—	46	—	46
Auction Rate Securities (ARS)	—	—	12	12	—	—	12	12
Derivative assets:								
Interest rate swap contracts	—	46	—	46	—	64	—	64
Foreign currency forward contracts	—	118	—	118	—	50	—	50
Equity investments	36	—	—	36	—	—	—	—
Derivative liabilities:								
Interest rate swap contracts	—	(3)	—	(3)	—	(27)	—	(27)
Foreign currency forward contracts	—	—	—	—	—	(35)	—	(35)
Written option liabilities	—	—	(198)	(198)	—	—	(162)	(162)
Contingent consideration liability	—	—	(8)	(8)	—	—	(8)	(8)

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

Dollars in Millions	2014 ARS	Written option liabilities	Contingent consideration liability	2013 ARS and FRS[(a)]	Written option liabilities	Contingent consideration liability
Fair value at January 1	$ 12	$ (162)	$ (8)	$ 31	$ (18)	$ (8)
Additions from new alliances	—	—	—	—	(144)	—
Unrealized gains	—	—	—	1	—	—
Sales	—	—	—	(20)	—	—
Changes in fair value	—	(36)	—	—	—	—
Fair value at December 31	$ 12	$ (198)	$ (8)	$ 12	$ (162)	$ (8)

(a) Floating Rate Securities

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, 2014				
Certificates of deposit	$ 896	$ —	$ —	$ 896
Corporate debt securities	5,237	30	(8)	5,259
ARS	9	3	—	12
Equity investments	14	22	—	36
Total	$ 6,156	$ 55	$ (8)	$ 6,203
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

Available-for-sale securities included in current marketable securities were $1,759 million at December 31, 2014 and $819 million at December 31, 2013. Non-current available-for-sale corporate debt securities mature within five years at December 31, 2014, except for ARS. Equity investments of $36 million were included in other assets at December 31, 2014.

Fair Value Option for Financial Assets

Investments in equity and fixed income funds offsetting changes in fair value of certain employee retirement benefits were included in current marketable securities. Investment income resulting from changes in fair value was not significant.

Qualifying Hedges

The following summarizes the fair value of outstanding derivatives:

		December 31, 2014		December 31, 2013	
Dollars in Millions	Balance Sheet Location	Notional	Fair Value	Notional	Fair Value
Derivatives designated as hedging instruments:					
Interest rate swap contracts	Other assets	$ 847	$ 46	$ 673	$ 64
Interest rate swap contracts	Other liabilities	1,050	(3)	1,950	(27)
Foreign currency forward contracts	Prepaid expenses and other	1,323	106	301	44
Foreign currency forward contracts	Other assets	100	12	100	6
Foreign currency forward contracts	Accrued expenses	—	—	704	(31)
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. The contracts are designated as cash flow hedges with the effective portion of changes in fair value reported in accumulated OCI and recognized in earnings when the hedged item affects earnings. The net gains are expected to be reclassified to cost of products sold within the next two years. The notional amount of outstanding foreign currency forward contracts was primarily attributed to the euro ($536 million) and Japanese yen ($636 million) at December 31, 2014. The fair value of a foreign currency forward contract attributed to the Japanese yen (notional amount of $330 million) not designated as a cash flow hedge was $7 million and was included in prepaid expenses and other at December 31, 2014.

Cash flow hedge accounting is discontinued when the forecasted transaction is no longer probable of occurring within 60 days after the originally forecasted date or when the hedge is no longer effective. Assessments to determine whether derivatives designated as qualifying hedges are highly effective in offsetting changes in the cash flows of hedged items are performed at inception and on a quarterly basis. 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 ($662 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 used as an interest rate risk management strategy to create an appropriate balance of fixed and floating rate debt. The contracts and underlying debt for the hedged benchmark risk are recorded at fair value. The effective interest rate for the contracts is one-month LIBOR (0.17% as of December 31, 2014) plus an interest rate spread ranging from (0.8)% to 2.9%. When the underlying swap is terminated prior to maturity, the fair value basis adjustment to the underlying debt instrument is amortized as a reduction to interest expense over the remaining life of the debt.

The notional amount of fixed-to-floating interest rate swap contracts executed was $200 million in 2014 and $2.1 billion in 2013. The notional amount of fixed-to-floating interest rate swap contracts terminated was $426 million in 2014, generating proceeds of $119 million (including accrued interest of $10 million). Additional contracts were terminated in connection with debt redemptions in 2014 and 2012.

Debt Obligations

Short-term borrowings were $590 million and $359 million at December 31, 2014 and 2013, respectively, consisting primarily of bank overdrafts.

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

Dollars in Millions	December 31, 2014	2013
Principal Value:		
4.375% Euro Notes due 2016	$ 611	$ 684
0.875% Notes due 2017	750	750
5.450% Notes due 2018	—	582
1.750% Notes due 2019	500	500
4.625% Euro Notes due 2021	611	684
2.000% Notes due 2022	750	750
7.150% Debentures due 2023	304	304
3.250% Notes due 2023	500	500
6.800% 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	500
6.880% Debentures due 2097	260	260
0% - 5.75% Other - maturing 2016 - 2030	83	144
Subtotal	6,804	7,593
Adjustments to Principal Value:		
Fair value of interest rate swap contracts	43	37
Unamortized basis adjustment from swap terminations	454	442
Unamortized bond discounts	(59)	(64)
Total	$ 7,242	$ 8,008
Current portion of long-term debt[(a)]	$ —	$ 27
Long-term debt	7,242	7,981

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

The fair value of long-term debt was $8,045 million and $8,487 million at December 31, 2014 and 2013, 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.

Floating Rate Convertible Senior Debentures of $18 million due 2023 are redeemable by the holders at par on September 15, 2018 or if a fundamental change in ownership occurs and are callable at par at any time by BMS. 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.

Senior unsecured notes issued in registered public offerings were $1.5 billion in 2013 and $2.0 billion in 2012. 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 and are redeemable by BMS in whole or in part, at any time at a predetermined redemption price.

The 5.25% Notes with a principal amount of $597 million matured and was repaid in 2013. Substantially all of the $2.0 billion debt obligations assumed in the acquisition of Amylin were repaid in 2012, including a promissory note with Lilly with respect to a revenue sharing obligation and Amylin senior notes due 2014.

There were no debt redemptions in 2013. Debt redemption activity for 2014 and 2012, including repayment of the Amylin debt obligations, was as follows:

Dollars in Millions	2014	2012
Principal amount	$ 582	$ 2,052
Carrying value	633	2,081
Redemption price	676	2,108
Notional amount of interest rate swap contracts terminated	500	6
Swap termination proceeds/(payments)	(4)	2
Total loss	45	27

Interest payments were $238 million in 2014, $268 million in 2013 and $241 million in 2012 net of amounts received from interest rate swap contracts.

Two separate $1.5 billion five-year revolving credit facilities are maintained 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, 2014 or 2013.

Financial guarantees provided in the form of stand-by letters of credit and performance bonds were $725 million at December 31, 2014. Stand-by letters of credit are issued through financial institutions in support of guarantees for various obligations. Performance bonds are 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

	December 31,	
Dollars in Millions	**2014**	2013
Trade receivables	**$ 2,193**	$ 1,779
Less allowances	**(93)**	(89)
Net trade receivables	**2,100**	1,690
Alliance partners receivables	**888**	1,122
Prepaid and refundable income taxes	**178**	262
Miscellaneous receivables	**224**	286
Receivables	**$ 3,390**	$ 3,360

Non-U.S. receivables sold on a nonrecourse basis were $812 million in 2014, $1,031 million in 2013, and $956 million in 2012. In the aggregate, receivables from three pharmaceutical wholesalers in the U.S. represented 36% and 40% of total trade receivables at December 31, 2014 and 2013, respectively.

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

	Year Ended December 31,		
Dollars in Millions	**2014**	2013	2012
Balance at beginning of year	**$ 89**	$ 104	$ 147
Provision	**773**	720	832
Utilization	**(769)**	(731)	(875)
Assets held-for-sale	**—**	(4)	—
Balance at end of year	**$ 93**	$ 89	$ 104

Note 12 INVENTORIES

	December 31,	
Dollars in Millions	**2014**	2013
Finished goods	**$ 500**	$ 491
Work in process	**856**	757
Raw and packaging materials	**204**	250
Inventories	**$ 1,560**	$ 1,498

Inventories expected to remain on-hand beyond one year were $232 million at December 31, 2014 and $351 million at December 31, 2013 and included in other assets.

Note 13 PROPERTY, PLANT AND EQUIPMENT

Dollars in Millions	December 31, 2014	2013
Land	$ 109	$ 109
Buildings	4,830	4,748
Machinery, equipment and fixtures	3,774	3,699
Construction in progress	353	287
Gross property, plant and equipment	9,066	8,843
Less accumulated depreciation	(4,649)	(4,264)
Property, plant and equipment	$ 4,417	$ 4,579

Property, plant and equipment related to the Mount Vernon, Indiana manufacturing facility was approximately $235 million as of December 31, 2014. The facility is expected to be sold in 2015. It was not included in assets held-for-sale for both periods because the assets were not available for immediate sale in their present condition. See "—Note 3. Alliances" for further discussion on the sale of the diabetes business. Depreciation expense was $543 million in 2014, $453 million in 2013 and $382 million in 2012.

Note 14 GOODWILL AND OTHER INTANGIBLE ASSETS

Dollars in Millions	Estimated Useful Lives	December 31, 2014	2013
Goodwill		$ 7,027	$ 7,096
Other intangible assets:			
Licenses	5 – 15 years	$ 1,090	$ 1,162
Developed technology rights	9 – 15 years	2,358	2,486
Capitalized software	3 – 10 years	1,254	1,240
In-process research and development (IPRD)		280	548
Gross other intangible assets		4,982	5,436
Less accumulated amortization		(3,229)	(3,118)
Total other intangible assets		$ 1,753	$ 2,318

Goodwill of $600 million was allocated to the sale of the diabetes business in 2014, including $550 million presented in assets held-for-sale at December 31, 2013. See"—Note 5. Assets Held-For-Sale" for further discussion. Amortization expense was $286 million in 2014, $858 million in 2013 and $607 million in 2012. Future annual amortization expense of other intangible assets is expected to be approximately $220 million in 2015, $210 million in 2016, $200 million in 2017, $150 million in 2018, $110 million in 2019 and $583 million thereafter. Other intangible asset impairment charges were $380 million in 2014, none in 2013 and $2.1 billion in 2012.

A $310 million IPRD impairment charge was recognized in 2014 for peginterferon lambda which was in Phase III development for treatment of hepatitis C virus (HCV). The full write-off was required after assessing the potential commercial viability of the asset and estimating its fair value. The assessment considered the lower likelihood of filing for registration in certain markets after completing revised projections of revenues and expenses. A significant decline from prior projected revenues resulted from the global introduction of oral non-interferon products being used to treat patients with HCV and no other alternative uses for the product.

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 HCV 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 $1.8 billion pre-tax impairment charge was recognized in 2012. An impairment charge of $120 million was also 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

Dollars in Millions	December 31, 2014	2013
Employee compensation and benefits	$ 892	$ 735
Royalties	213	173
Accrued research and development	445	380
Restructuring - current	128	73
Pension and postretirement benefits	47	47
Accrued litigation	43	65
Other	691	679
Total accrued expenses	$ 2,459	$ 2,152

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, 2014	2013
Charge-backs related to government programs	$ 41	$ 37
Cash discounts	15	12
Reductions to trade receivables	$ 56	$ 49
Managed healthcare rebates and other contract discounts	$ 148	$ 147
Medicaid rebates	193	227
Sales returns	232	279
Other adjustments	278	236
Accrued rebates and returns	$ 851	$ 889

Note 17 DEFERRED INCOME

Dollars in Millions	December 31, 2014	2013
Alliances (Note 3)	$ 1,493	$ 1,418
Gain on sale-leaseback transactions	45	71
Other	399	36
Total deferred income	$ 1,937	$ 1,525
Current portion	$ 1,167	$ 756
Non-current portion	770	769

Alliances include unamortized amounts for upfront, milestone and other licensing proceeds, revenue deferrals attributed to the Gilead alliance and undelivered elements from the diabetes business divestiture. Upfront, milestone and other licensing proceeds are amortized over the shorter of the contractual rights period or the expected life of the product. Deferred gains on sale-leaseback transactions are amortized over the remaining lease terms of the related facilities through 2018. Other deferrals include approximately $300 million invoiced for a product under an early access program in the EU. A portion of this amount will be recognized as revenue, subject to final price negotiations with the local government. Amortization of deferred income was $362 million in 2014, $548 million in 2013 and $308 million in 2012.

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, 2012	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
Net earnings	—	—	—	2,004	—	—	39
Cash dividends declared	—	—	—	(2,415)	—	—	—
Employee stock compensation plans	—	—	(393)	—	(11)	755	—
Debt conversion	—	—	(22)	—	(1)	53	—
Variable interest entity	—	—	—	—	—	—	59
Distributions	—	—	—	—	—	—	(49)
Balance at December 31, 2014	2,208	$ 221	$ 1,507	$ 32,541	547	$ (16,992)	$ 131

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

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 $22 million in 2014, $20 million in 2013 and $317 million in 2012 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
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
2014			
Derivatives qualifying as cash flow hedges:[a]			
Unrealized gains	$ 139	$ (45)	$ 94
Reclassified to net earnings	(41)	16	(25)
Derivatives qualifying as cash flow hedges	98	(29)	69
Pension and other postretirement benefits:			
Actuarial losses	(1,414)	464	(950)
Amortization[b]	104	(37)	67
Settlements and curtailments[c]	867	(308)	559
Pension and other postretirement benefits	(443)	119	(324)
Available-for-sale securities:			
Unrealized gains	10	(6)	4
Realized gains[d]	(1)	—	(1)
Available-for-sale securities	9	(6)	3
Foreign currency translation	(8)	(24)	(32)
	$ (344)	$ 60	$ (284)

(a) Reclassifications to net earnings of derivatives qualifying as effective hedges are recognized in costs of products sold.
(b) Actuarial gains/(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 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, 2014	2013
Derivatives qualifying as cash flow hedges	$ 85	$ 16
Pension and other postretirement benefits	(2,181)	(1,857)
Available-for-sale securities	31	28
Foreign currency translation	(360)	(328)
Accumulated other comprehensive loss	$ (2,425)	$ (2,141)

Note 19 PENSION, POSTRETIREMENT AND POSTEMPLOYMENT LIABILITIES

BMS sponsors defined benefit pension plans, defined contribution plans and termination indemnity plans for regular full-time employees. The principal defined benefit pension plan is the Bristol-Myers Squibb Retirement Income Plan, covering most U.S. employees and representing approximately 65% of the consolidated pension plan assets and 61% of the obligations. BMS contributes 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 electing 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.

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

Dollars in Millions	Pension Benefits 2014	2013	2012	Other Benefits 2014	2013	2012
Service cost — benefits earned during the year	$ 34	$ 38	$ 32	$ 4	$ 8	$ 8
Interest cost on projected benefit obligation	305	302	319	14	13	22
Expected return on plan assets	(508)	(519)	(508)	(27)	(26)	(25)
Amortization of prior service credits	(3)	(4)	(3)	(1)	(2)	(2)
Amortization of net actuarial (gain)/loss	110	134	129	(2)	1	10
Curtailments	1	—	(1)	(4)	—	—
Settlements	866	165	160	—	—	—
Special termination benefits	14	—	—	—	—	—
Net periodic benefit cost/(credit)	$ 819	$ 116	$ 128	$ (16)	$ (6)	$ 13

In September 2014, BMS and Fiduciary Counselors Inc., as an independent fiduciary of the Bristol-Myers Squibb Company Retirement Income Plan, entered into a definitive agreement to transfer certain U.S. pension assets to The Prudential Insurance Company of America (Prudential) to settle approximately $1.5 billion of pension obligations. BMS purchased a group annuity contract from Prudential in December 2014, who irrevocably assumed the obligation to make future annuity payments to certain BMS retirees. The transaction will not change the amount of the monthly pension benefit received by affected retirees and surviving beneficiaries and resulted in a pre-tax settlement charge of $713 million. Pension settlement charges were also 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 2014, 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	2014	2013	2014	2013
Benefit obligations at beginning of year	$ 7,233	$ 8,200	$ 404	$ 460
Service cost—benefits earned during the year	34	38	4	8
Interest cost	305	302	14	13
Plan participants' contributions	2	2	22	23
Curtailments	(27)	—	(3)	—
Settlements	(1,774)	(350)	—	—
Plan amendments	(2)	(1)	(7)	—
Actuarial (gains)/losses	1,673	(761)	28	(43)
Retiree Drug Subsidy	—	—	6	6
Benefits paid	(216)	(206)	(62)	(63)
Exchange rate (gains)/losses	(160)	9	(4)	—
Benefit obligations at end of year	$ 7,068	$ 7,233	$ 402	$ 404
Fair value of plan assets at beginning of year	$ 7,406	$ 6,542	$ 347	$ 311
Actual return on plan assets	750	1,154	36	61
Employer contributions	124	251	8	9
Plan participants' contributions	2	2	22	23
Settlements	(1,774)	(350)	—	—
Retiree Drug Subsidy	—	—	6	6
Benefits paid	(216)	(206)	(62)	(63)
Exchange rate gains/(losses)	(144)	13	—	—
Fair value of plan assets at end of year	$ 6,148	$ 7,406	$ 357	$ 347
Funded status	$ (920)	$ 173	$ (45)	$ (57)
Assets/(Liabilities) recognized:				
Other assets	$ 40	$ 731	$ 91	$ 87
Accrued expenses	(36)	(35)	(11)	(12)
Pension and other postretirement liabilities	(924)	(523)	(125)	(132)
Funded status	$ (920)	$ 173	$ (45)	$ (57)
Recognized in accumulated other comprehensive loss:				
Net actuarial (gains)/losses	$ 3,304	$ 2,878	$ (24)	$ (44)
Prior service credit	(40)	(41)	(9)	(4)
Total	$ 3,264	$ 2,837	$ (33)	$ (48)

The accumulated benefit obligation for all defined benefit pension plans was $7,001 million and $7,125 million at December 31, 2014 and 2013, respectively.

Additional information related to pension plans was as follows:

Dollars in Millions	2014	2013
Pension plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligation	$ 5,877	$ 1,291
Fair value of plan assets	4,917	732
Pension plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligation	$ 5,731	$ 1,101
Fair value of plan assets	4,823	608

Actuarial Assumptions

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

	Pension Benefits		Other Benefits	
	2014	2013	**2014**	2013
Discount rate	**3.6%**	4.4%	**3.4%**	3.8%
Rate of compensation increase	**0.8%**	2.3%	**2.0%**	2.1%

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		
	2014	2013	2012	**2014**	2013	2012
Discount rate	**4.2%**	4.1%	4.4%	**3.7%**	3.0%	4.1%
Expected long-term return on plan assets	**7.6%**	8.0%	8.2%	**8.3%**	8.8%	8.8%
Rate of compensation increase	**2.3%**	2.3%	2.3%	**2.1%**	2.1%	2.0%

The yield on high quality corporate bonds matching 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.

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 $300 million at December 31, 2014. Differences between assumed and actual returns are amortized to the market-related value on a straight-line basis over a three-year period. 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:

	2014	2013	2012
10 years	**7.9%**	8.0%	8.5%
15 years	**6.4%**	6.8%	6.5%
20 years	**9.3%**	8.8%	8.5%

Actuarial gains and losses resulted from changes in actuarial assumptions (such as changes in the discount rate and revised mortality rates) and from differences between assumed and actual experience (such as differences between actual and expected return on plan assets). Gains and losses are amortized over the life expectancy of the plan participants for U.S. plans (37 years in 2015) and expected remaining service periods for most other plans to the extent they exceed 10% of the higher of the market-related value or the projected benefit obligation for each respective plan. The amortization of net actuarial loss and prior service credit is expected to be approximately $93 million in 2015. The periodic benefit cost or credit is included in cost of products sold, research and development, and marketing, selling and administrative expenses, except for curtailments, settlements and other special termination benefits which are included other expenses.

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

	2014	2013	2012
Healthcare cost trend rate assumed for next year	**6.0%**	6.4%	6.8%
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	**2018**	2019	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, 2014 and 2013 was as follows:

	December 31, 2014				December 31, 2013			
Dollars in Millions	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Equity Securities	$ 1,115	$ —	$ —	$ 1,115	$ 1,804	$ —	$ —	$ 1,804
Equity Funds	446	1,113	—	1,559	534	1,679	—	2,213
Fixed Income Funds	340	777	—	1,117	238	657	—	895
Corporate Debt Securities	—	1,481	—	1,481	—	1,410	—	1,410
Venture Capital and Limited Partnerships	—	—	327	327	—	—	369	369
Government Mortgage Backed Securities	—	7	—	7	—	1	—	1
U.S. Treasury and Agency Securities	—	557	—	557	—	514	—	514
Short-Term Investment Funds	—	63	—	63	—	122	—	122
Insurance Contracts	—	—	119	119	—	—	142	142
Event Driven Hedge Funds	—	71	—	71	—	122	—	122
State and Municipal Bonds	—	9	—	9	—	24	—	24
Real Estate	4	—	—	4	4	—	—	4
Cash and Cash Equivalents	76	—	—	76	133	—	—	133
Total plan assets at fair value	$ 1,981	$ 4,078	$ 446	$ 6,505	$ 2,713	$ 4,529	$ 511	$ 7,753

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, 2014. Corporate debt securities, government mortgage 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.

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, 2013	$ 381	$ 132	$ 23	$ 536
Purchases, sales and settlements, net	(91)	(4)	(23)	(118)
Realized gains/(losses)	48	5	—	53
Unrealized gains/(losses)	31	9	—	40
Fair value at December 31, 2013	369	142	—	511
Purchases, sales and settlements, net	(88)	(15)	—	(103)
Realized gains/(losses)	61	(15)	—	46
Unrealized gains/(losses)	(15)	7	—	(8)
Fair value at December 31, 2014	$ 327	$ 119	$ —	$ 446

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 43% public equity (16% U.S. and 16% international and 11% global), 7% private equity and 50% long-duration fixed income is maintained for the U.S. pension plans. Investments are diversified within each of the three major asset categories. Approximately 98% 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, 2014 and 2013.

Contributions and Estimated Future Benefit Payments

Contributions to pension plans were $124 million in 2014, $251 million in 2013 and $396 million in 2012 and are expected to be approximately $100 million in 2015. Estimated annual future benefit payments (including lump sum payments) range from $300 million to $400 million in each of the next five years, and aggregate $1.7 billion in the subsequent five year period.

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 2014, 2013 and 2012.

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 250 million at December 31, 2014. Shares available to be granted for the active plans were 112 million at December 31, 2014. Shares are issued from treasury stock. 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. 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. The Company has not granted any stock options or stock appreciation rights since 2009.

Common stock or stock units may be granted to key employees, subject to restrictions as to continuous employment. Generally, vesting occurs ratably over a four year period from grant date. 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 are granted to executives. Vesting is conditioned upon continuous employment until the vesting date and payout factor is 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.

Performance share units are granted to executives and have a three year cycle and are granted as a target number of units subject to adjustment based on company performance. Shares ultimately issued for awards granted prior to 2014 are 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. Shares ultimately issued for awards granted in 2014 are based on the actual performance compared to earnings target and other performance criteria established for 2014 and a subsequent adjustment for the Company's three-year total shareholder return relative to a peer group of companies. Vesting occurs on the third anniversary of the grant date.

Stock-based compensation expense for awards ultimately expected to vest 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. Other information related to stock-based compensation benefits are as follows:

Dollars in Millions	Years Ended December 31, 2014	2013	2012
Stock options	$ —	$ 2	$ 7
Restricted stock units	75	74	64
Market share units	34	29	23
Performance share units	104	86	60
Amylin stock options and restricted stock units (see Note 4)	—	—	94
Total stock-based compensation expense	$ 213	$ 191	$ 248
Income tax benefit	$ 71	$ 64	$ 82

Shares in Thousands	Stock Options: Number of Options Outstanding	Stock Options: Weighted-Average Exercise Price of Shares	Restricted Stock Units: Number of Nonvested Awards	Restricted Stock Units: Weighted-Average Grant-Date Fair Value	Market Share Units: Number of Nonvested Awards	Market Share Units: Weighted-Average Grant-Date Fair Value	Performance share units: Number of Nonvested Awards	Performance share units: Weighted-Average Grant-Date Fair Value
Balance at January 1, 2014	23,123	$ 22.88	6,552	$ 32.81	1,832	$ 33.82	4,292	$ 33.75
Granted	—	—	1,903	52.22	886	55.44	2,288	55.17
Released/Exercised	(6,635)	23.68	(2,474)	27.51	(1,674)	29.32	(2,743)	32.80
Adjustments for actual payout	—	—	—	—	1,212	27.40	(120)	33.08
Forfeited/Canceled	(911)	27.25	(734)	23.75	(295)	40.34	(298)	53.68
Balance at December 31, 2014	15,577	22.29	5,247	43.61	1,961	42.47	3,419	47.12
Vested or expected to vest	15,577	22.29	4,847	43.61	1,812	42.47	3,159	47.12

Dollars in Millions	Restricted Stock Units	Market Share Units	Performance Share Units
Unrecognized compensation cost	$ 152	$ 36	$ 88
Expected weighted-average period in years of compensation cost to be recognized	2.6	2.6	1.7

Amounts in Millions, except per share data	2014	2013	2012
Weighted-average grant date fair value (per share):			
Restricted stock units	$ 52.22	$ 38.73	$ 32.71
Market share units	55.44	37.40	31.85
Performance share units	55.17	37.40	32.33
Fair value of options or awards that vested during the year:			
Stock options	$ —	$ 11	$ 23
Restricted stock units	68	74	74
Market share units	49	30	18
Performance share units	90	90	56
Total intrinsic value of stock options exercised during the year	$ 199	$ 323	$ 153

The fair value of awards approximates the closing trading price of BMS's common stock on the grant date. The fair value of market share units also considers the payout formula and probability of satisfying market conditions.

The following table summarizes significant ranges of outstanding and exercisable options at December 31, 2014 (amounts in millions, except per share data):

	Options Outstanding and Exercisable			
Range of Exercise Prices	Number Outstanding and Exercisable (in thousands)	Weighted-Average Remaining Contractual Life (in years)	Weighted-Average Exercise Price Per Share	Aggregate Intrinsic Value
$1 - $20	4,886	4.17	$ 17.53	$ 203
$20 - $30	10,691	1.97	24.46	369
	15,577	2.66	$ 22.29	$ 572

The aggregate intrinsic value in the preceding table represents the total pre-tax intrinsic value, based on the closing stock price of $59.03 on December 31, 2014.

Note 21 LEASES

Annual minimum rental commitments for non-cancelable operating leases (primarily real estate and motor vehicles) are approximately $100 million in each of the next five years and an aggregate $100 million thereafter. Operating lease expenses were $137 million in 2014, $144 million in 2013 and $142 million in 2012. 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

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 in June 2014 the U.S. Court of Appeals for the Federal Circuit (Federal Court of Appeals) denied the Company's appeal. In July 2014, the Company filed a petition for an *en banc* rehearing by the entire Federal Court of Appeals which was denied in October 2014. In January 2015, the Company filed a petition for a *writ of certiorari* with the U.S. Supreme Court requesting that the court hear an appeal of the Federal Court of Appeals decision. In September 2014, Teva received final approval from the FDA for its generic version of entecavir and launched its product in the U.S. We have experienced a rapid and significant negative impact on U.S. net product sales of Baraclude beginning in the fourth quarter of 2014. U.S. net product sales of *Baraclude* were $215 million in 2014.

Baraclude — South Korea

In 2013, Daewoong Pharmaceutical Co. Ltd. and Hanmi Pharmaceuticals Co., Ltd. initiated separate invalidity actions in the Korean Intellectual Property Office 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. In January 2015, the Korean Intellectual Property Tribunal ruled that the '523 patent is valid. There still remains a risk that generic companies will continue to challenge the validity of the '523 patent and/or launch generic versions of *Baraclude* prior to October 2015. Net product sales of *Baraclude* in South Korea were $158 million in 2014.

*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. The Company and Apotex have settled the Apotex case and the case has been dismissed. The Australian government's claim is still pending. 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 the Supreme Court of Canada was scheduled to hear the case in November 2014. The Company and Apotex have settled and the case has been dismissed, thus concluding the matter.

GENERAL COMMERCIAL LITIGATION

Remaining Apotex Matter Related to *Plavix**

As previously disclosed, 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 and Apotex appealed the decision. The Company and Apotex have settled and Apotex has withdrawn its appeal, thus concluding the matter.

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.

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. In June 2014, the Pennsylvania Supreme Court vacated the Commonwealth judge's decision and remanded the matter back to the Commonwealth Court. In January 2015, the Commonwealth Court entered judgment in favor of the Company. It is possible that the Commonwealth of Pennsylvania could appeal this decision.

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.

*Plavix** State Attorneys General Lawsuits

The Company and certain affiliates of Sanofi are defendants in consumer protection and/or false advertising actions brought by several states relating to the sales and promotion of *Plavix**. It is not possible at this time to reasonably assess the outcome of these lawsuits or their potential 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 5,500 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.

*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 430 separate lawsuits pending on behalf of over 1,900 active plaintiffs (including pending settlements), which include injury plaintiffs as well as claims by spouses and/or other beneficiaries, in various courts in the U.S. The Company has agreed in principle to resolve over 510 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 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.

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 $62 million at December 31, 2014, 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 300 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 200 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 500 cases between the state and federal court actions. In June 2014, the Company and the plaintiffs agreed to a settlement, which was finalized in December 2014. This concludes the matter.

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. In addition, in September 2009, the Township and BOE filed suits against several other parties alleged to have contributed waste materials to the site; that litigation has now been settled by the parties. 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 issued in connection with its investigation under the FCPA, primarily relating to sales and marketing practices in various countries. The Company is cooperating with the SEC, along with the Department of Justice, in its investigation of these matters. In particular, the Company is investigating certain sales and marketing practices in China. It is not possible at this time to assess the outcome of these matters or their potential impact on the Company.

Note 23 SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Dollars in Millions, except per share data	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2014					
Total Revenues	$ 3,811	$ 3,889	$ 3,921	$ 4,258	$ 15,879
Gross Margin	2,843	2,898	2,914	3,292	11,947
Net Earnings	936	334	732	27	2,029
Net Earnings/(Loss) Attributable to:					
Noncontrolling Interest	(1)	1	11	14	25
BMS	937	333	721	13	2,004
Earnings per Share - Basic[a]	$ 0.57	$ 0.20	$ 0.43	$ 0.01	$ 1.21
Earnings per Share - Diluted[a]	0.56	0.20	0.43	0.01	1.20
Cash dividends declared per common share	$ 0.36	$ 0.36	$ 0.36	$ 0.37	$ 1.45
Cash and cash equivalents	$ 5,225	$ 4,282	$ 4,851	$ 5,571	$ 5,571
Marketable securities[b]	5,392	6,769	6,698	6,272	6,272
Total Assets	33,424	33,503	33,450	33,749	33,749
Long-term debt	7,367	7,372	7,267	7,242	7,242
Equity	15,531	15,379	15,201	14,983	14,983

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[a]	$ 0.37	$ 0.33	$ 0.42	$ 0.44	$ 1.56
Earnings per Share - Diluted[a]	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[b]	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[c]	7,180	7,122	6,562	7,981	7,981
Equity	13,699	14,373	14,714	15,236	15,236

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

The following specified items affected the comparability of results in 2014 and 2013:

2014

Dollars in Millions	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Cost of products sold[a]	45	39	36	31	151
Additional year of Branded Prescription Drug Fee	—	—	96	—	96
Process standardization implementation costs	3	3	2	1	9
Marketing, selling and administrative	3	3	98	1	105
Upfront, milestone and other payments	15	148	65	50	278
IPRD impairments	33	310	—	—	343
Research and development	48	458	65	50	621
Provision for restructuring	21	16	35	91	163
Gain on sale of product lines, businesses and assets	(259)	12	(315)	3	(559)
Pension curtailments, settlements and special termination benefits	64	45	28	740	877
Acquisition and alliance related items[b]	16	17	39	—	72
Litigation charges/(recoveries)	25	(23)	10	15	27
Loss on debt redemption	45	—	—	—	45
Out-licensed intangible asset impairment	—	—	—	11	11
Upfront, milestone and other licensing receipts	—	—	—	(10)	(10)
Other (income)/expense	(88)	67	(203)	850	626
Increase/(decrease) to pretax income	8	567	(4)	932	1,503
Income tax on items above	(179)	(102)	33	(297)	(545)
Specified tax charge[c]	—	—	—	123	123
Income taxes	(179)	(102)	33	(174)	(422)
Increase/(decrease) to net earnings	$ (171)	$ 465	$ 29	$ 758	$ 1,081

(a) Specified items in cost of products sold are accelerated depreciation, asset impairment and other shutdown costs.

(b) Includes $16 million of additional year of Branded Prescription Drug Fee in the third quarter.

(c) Specified tax charge relates to transfer pricing matters.

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 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.

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, 2014 based on the framework in *Internal Control—Integrated Framework (2013)* 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, 2014 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 81 in this Annual Report.

Lamberto Andreotti
Chief Executive Officer

Charles Bancroft
Chief Financial Officer

February 13, 2015

CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of December 31, 2014, 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, 2014, 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, 2014 based on the framework in "Internal Control—Integrated Framework" (2013) 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, 2014 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, 2014, which is included herein.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2014 that have materially affected, or are reasonable likely to materially affect, the Company's internal control over financial reporting.

OTHER INFORMATION

None.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

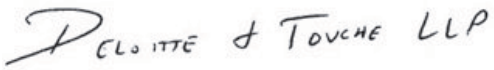
To the Board of Directors and Shareholders of
Bristol-Myers Squibb Company

We have audited the accompanying consolidated balance sheets of Bristol-Myers Squibb Company and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of earnings, comprehensive income, and cash flows for each of the three years in the period ended December 31, 2014. 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, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, 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, 2014, based on the criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 13, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.



Parsippany, New Jersey
February 13, 2015

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, 2014, based on criteria established in *Internal Control—Integrated Framework* (2013) 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.

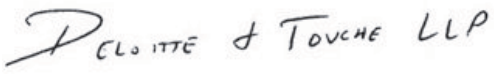
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material 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 the 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, 2014, based on the criteria established in *Internal Control—Integrated Framework* (2013) 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, 2014 of the Company and our report dated February 13, 2015 expressed an unqualified opinion on those consolidated financial statements.

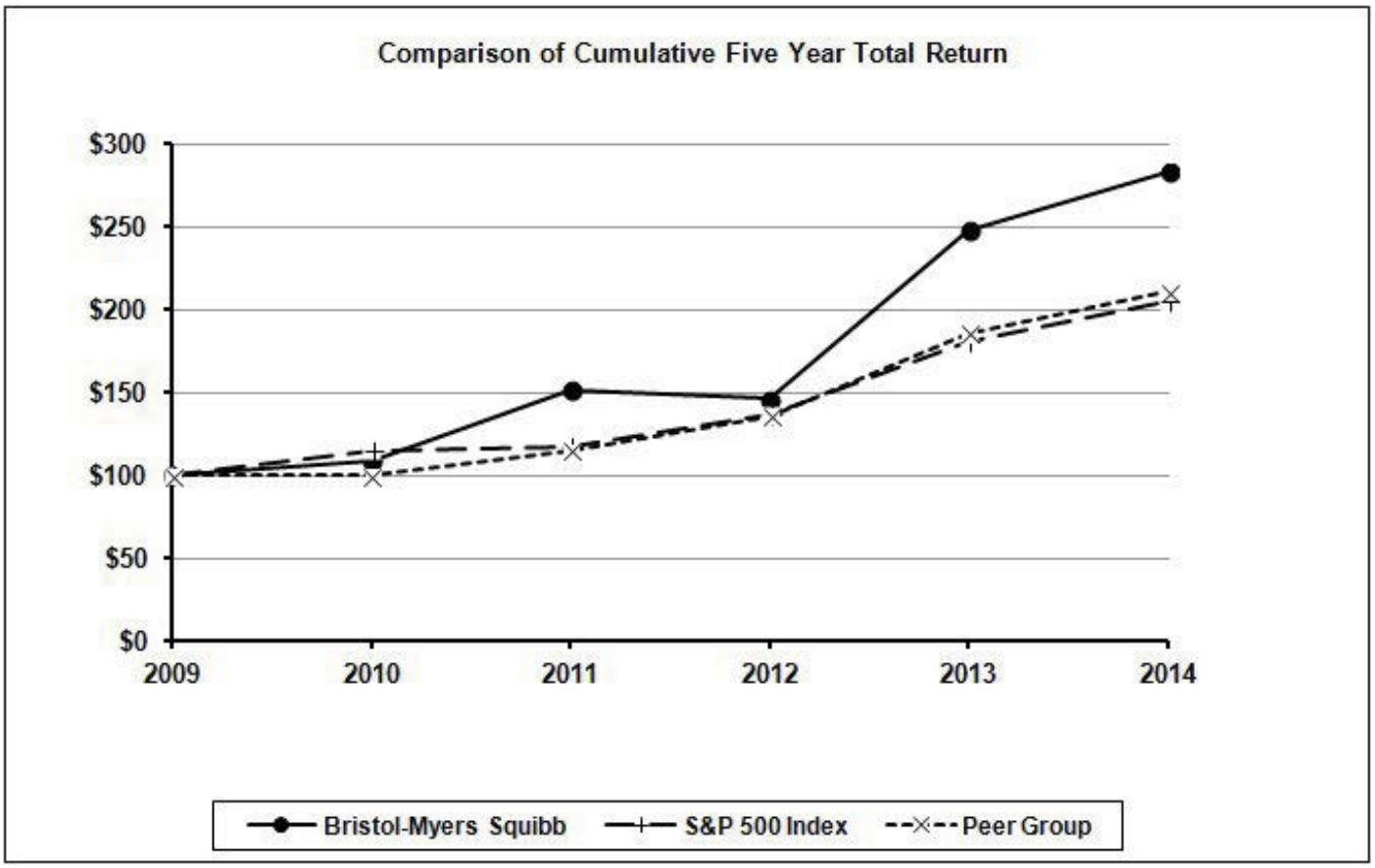


Parsippany, New Jersey
February 13, 2015

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.



	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014
Bristol-Myers Squibb	$ 100	$ 109	$ 152	$ 146	$ 248	**$ 283**
S&P 500 Index	$ 100	$ 115	$ 117	$ 136	$ 180	**$ 205**
Peer Group	$ 100	$ 99	$ 115	$ 136	$ 186	**$ 211**

Assumes $100 invested on 12/31/09 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	2014	2013	2012	2011	2010
Income Statement Data:[a]					
Total Revenues	**$ 15,879**	$ 16,385	$ 17,621	$ 21,244	$ 19,484
Continuing Operations:					
Net Earnings	**2,029**	2,580	2,501	5,260	4,513
Net Earnings Attributable to:					
Noncontrolling Interest	**25**	17	541	1,551	1,411
BMS	**2,004**	2,563	1,960	3,709	3,102
Net Earnings per Common Share Attributable to BMS:					
Basic	**$ 1.21**	$ 1.56	$ 1.17	$ 2.18	$ 1.80
Diluted	**$ 1.20**	$ 1.54	$ 1.16	$ 2.16	$ 1.79
Average common shares outstanding:					
Basic	**1,657**	1,644	1,670	1,700	1,713
Diluted	**1,670**	1,662	1,688	1,717	1,727
Cash dividends paid on BMS common and preferred stock	**$ 2,398**	$ 2,309	$ 2,286	$ 2,254	$ 2,202
Cash dividends declared per common share	**$ 1.45**	$ 1.41	$ 1.37	$ 1.33	$ 1.29
Financial Position Data at December 31:					
Cash and cash equivalents	**$ 5,571**	$ 3,586	$ 1,656	$ 5,776	$ 5,033
Marketable securities[b]	**6,272**	4,686	4,696	5,866	4,949
Total Assets	**33,749**	38,592	35,897	32,970	31,076
Long-term debt[c]	**7,242**	7,981	7,232	5,376	5,328
Equity	**14,983**	15,236	13,638	15,867	15,638

(a) For a discussion of items that affected the comparability of results for the years 2014, 2013 and 2012, see "Item 7. 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) 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 and
Chairman-Designate, Bristol-Myers Squibb

Giovanni Caforio, M.D.
Chief Operating Officer and
CEO-Designate, 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
Former Chairman and Chief Executive Officer,
Sears, Roebuck and Co. (a,b)

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

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

Vicki L. Sato, Ph.D.
Professor of Management Practice,
Harvard Business School (c,d)

Gerald L. Storch
Chief Executive Officer,
Hudson's Bay Company and
Non-Executive Chairman of Supervalu, Inc. (a,c)

Togo D. West, Jr.
Chairman, TLI Leadership
Group (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 and
Chairman-Designate

Charles Bancroft
Executive Vice President
and Chief Financial Officer

Giovanni Caforio, M.D.
Chief Operating Officer and
CEO-Designate

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

John Elicker
Senior Vice President,
Public Affairs and Investor Relations

Ann Powell Judge
Senior Vice President,
Global Human Resources

Sandra Leung
Executive Vice President,
General Counsel and Corporate Secretary

Samuel Moed
Senior Vice President,
Strategic Planning and Analysis

Anne Nielsen
Senior Vice President,
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 5, 2015 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, 2014, 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
- Compliance and Ethics
- 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 27 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 program names 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 (known in the E.U. as *Aprovel/Karvea*) and *Plavix* are trademarks of Sanofi.

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

Erbitux is a trademark of ImClone LLC, a wholly-owned subsidiary of Eli Lilly and Company.

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

Gleevec is a trademark of Novartis AG.

Norvir is a trademark of AbbVie Inc. and *Reglan* is a trademark of ANIP Acquisition Company.

Truvada and *Tybost* are trademarks of Gilead Sciences, Inc.

Brand names of products that are in all italicized letters, without an asterisk, are registered trademarks of BMS and/or one of its subsidiaries.

WE **WORK** FOR *Tony*

About eight years ago, **Tony Holladay**, of Meridian, Idaho, began to have trouble sleeping, but not for the usual reasons. “My right hand had turned into a big round ball, and I couldn’t see my fingers or knuckles,” he recalls. “Something was wrong.”

Eventually, he lost dexterity in his other hand and started to have a hard time walking or even moving. Worse yet, because of the pain, Tony could no longer enjoy the outdoors. ”I didn’t have a lifestyle. All I wanted to do was curl up into a little ball and just say leave me alone.” He was taking 20-30 aspirins a day for the pain. That’s when he saw his doctor.

After being diagnosed with rheumatoid arthritis (RA), Tony remembers coming home and crying. “I didn’t want to be a burden to my family,” he says. “But then I decided this was silly; I stood up and said it’s time to move on.” After starting on a variety of treatments over a two-to three-year period, he was switched to *Orencia* IV (abatacept).

He returned to two abiding interests: making stained-glass windows and kaleidoscopes. “Both involve a lot of glass cutting and require a lot of dexterity in your fingers and fine motions in your hands,” he says. “You always leave a little piece of yourself in every window you make.” Tony has been pain free for over a year.

“I’m no longer a burden to my family or myself, and I’m able to do things that I haven’t been able to do in years,” he says today. “When I go and see my doctor, I don’t use the elevator. I run up the three flights of stairs because I feel so good. It’s great to have my life back.”

> “IT’S GREAT TO HAVE MY LIFE BACK.”

Produced by the Bristol-Myers Squibb Public Affairs Department.

Bristol-Myers Squibb
Together we can prevail.®

Bristol-Myers Squibb Company
345 Park Avenue • New York, NY 10154-0037
212-546-4000 • www.bms.com