BRISTOL MYERS SQUIBB CO
Form 10-Q
April 29, 2014

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

x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2014

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

Commission file number: 1-1136

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

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

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

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

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

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

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

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

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

At March 31, 2014, there were 1,657,176,162 shares outstanding of the Registrant's $0.10 par value common stock.

BRISTOL-MYERS SQUIBB COMPANY
INDEX TO FORM 10-Q
MARCH 31, 2014

PART I—FINANCIAL INFORMATION

PART II—OTHER INFORMATION

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

	Three Months Ended March 31,	
EARNINGS	2014	2013
Net product sales	$2,807	$2,957
Alliance and other revenues	1,004	874
Total Revenues	$3,811	$3,831
Cost of products sold	968	1,063
Marketing, selling and administrative	957	994
Advertising and product promotion	163	189
Research and development	946	930
Other (income)/expense	(208)	(19)
Total Expenses	2,826	3,157
Earnings Before Income Taxes	985	674
Provision for income taxes	49	51
Net Earnings	936	623
Net Earnings/(Loss) Attributable to Noncontrolling Interest	(1)	14
Net Earnings Attributable to BMS	$937	$609
Earnings per Common Share		
Basic	$0.57	$0.37
Diluted	$0.56	$0.37
Cash dividends declared per common share	$0.36	$0.35

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

BRISTOL-MYERS SQUIBB COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Dollars in Millions
(UNAUDITED)

	Three Months Ended March 31,	
COMPREHENSIVE INCOME	2014	2013
Net Earnings	$936	$623
Other Comprehensive Income, net of taxes and reclassifications to earnings:		
Derivatives qualifying as cash flow hedges	(3)	41
Pension and postretirement benefits	(114)	27
Available for sale securities	2	4
Foreign currency translation	(11)	(1)
Other Comprehensive Income	(126)	71
Comprehensive Income	810	694
Comprehensive Income Attributable to Noncontrolling Interest	(1)	14
Comprehensive Income Attributable to BMS	$811	$680

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

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

ASSETS	March 31, 2014	December 31, 2013
Current Assets:		
Cash and cash equivalents	$5,225	$3,586
Marketable securities	1,834	939
Receivables	3,316	3,360
Inventories	1,655	1,498
Deferred income taxes	1,390	1,701
Prepaid expenses and other	538	412
Assets held-for-sale	56	7,420
Total Current Assets	14,014	18,916
Property, plant and equipment	4,485	4,579
Goodwill	7,046	7,096
Other intangible assets	2,208	2,318
Deferred income taxes	789	508
Marketable securities	3,558	3,747
Other assets	1,324	1,428
Total Assets	$33,424	$38,592
LIABILITIES		
Current Liabilities:		
Short-term borrowings and current portion of long-term debt	$281	$359
Accounts payable	2,502	2,559
Accrued expenses	1,997	2,152
Deferred income	1,061	756
Accrued rebates and returns	891	889
Income taxes payable	170	160
Dividends payable	619	634
Liabilities related to assets held-for-sale	—	4,931
Total Current Liabilities	7,521	12,440
Pension, postretirement and postemployment liabilities	690	718
Deferred income	1,064	769
Income taxes payable	557	750
Deferred income taxes	78	73
Other liabilities	616	625
Long-term debt	7,367	7,981
Total Liabilities	17,893	23,356
Commitments and contingencies (Note 17)		
EQUITY		
Bristol-Myers Squibb Company Shareholders' Equity:		
Preferred stock, $2 convertible series, par value $1 per share: Authorized 10 million shares; issued		

and outstanding 4,252 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	1,449	1,922
Accumulated other comprehensive loss	(2,267)	(2,141)
Retained earnings	33,291	32,952
Less cost of treasury stock – 551 million common shares in 2014 and 559 million in 2013	(17,221)	(17,800)
Total Bristol-Myers Squibb Company Shareholders' Equity	15,473	15,154
Noncontrolling interest	58	82
Total Equity	15,531	15,236
Total Liabilities and Equity	$33,424	$38,592

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

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

	Three Months Ended March 31,	
	2014	2013
Cash Flows From Operating Activities:		
Net earnings	$936	$623
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Net (earnings)/loss attributable to noncontrolling interest	1	(14)
Depreciation and amortization, net	137	213
Deferred income taxes	110	(182)
Stock-based compensation	49	49
Impairment charges	47	3
Other	(214)	(3)
Changes in operating assets and liabilities:		
Receivables	(55)	(318)
Inventories	(144)	(163)
Accounts payable	(12)	(53)
Deferred income	327	215
Income taxes payable	(215)	77
Other	(350)	(875)
Net Cash Provided by/(Used in) Operating Activities	617	(428)
Cash Flows From Investing Activities:		
Proceeds from sale and maturities of marketable securities	376	551
Purchases of marketable securities	(1,080)	(278)
Additions to property, plant and equipment and capitalized software	(118)	(115)
Proceeds from sale of business	3,055	—
Other investing activities	(21)	3
Net Cash Provided by Investing Activities	2,212	161
Cash Flows From Financing Activities:		
Short-term debt borrowings, net	(79)	551
Proceeds from issuance of long-term debt	—	12
Repayments of long-term debt	(676)	—
Interest rate swap contract terminations	(4)	—
Issuances of common stock	172	270
Repurchases of common stock	—	(297)
Dividends	(605)	(580)
Net Cash Used in Financing Activities	(1,192)	(44)
Effect of Exchange Rates on Cash and Cash Equivalents	2	10
Increase/(Decrease) in Cash and Cash Equivalents	1,639	(301)
Cash and Cash Equivalents at Beginning of Period	3,586	1,656
Cash and Cash Equivalents at End of Period	$5,225	$1,355

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

Note 1. BASIS OF PRESENTATION

Bristol-Myers Squibb Company (which may be referred to as Bristol-Myers Squibb, BMS or the Company) prepared these unaudited consolidated financial statements following the requirements of the Securities and Exchange Commission (SEC) and United States (U.S.) generally accepted accounting principles (GAAP) for interim reporting. Under those rules, certain footnotes and other financial information that are normally required for annual financial statements can be condensed or omitted. The Company is responsible for the consolidated financial statements included in this Form 10-Q. These consolidated financial statements include all normal and recurring adjustments necessary for a fair presentation of the financial position at March 31, 2014 and December 31, 2013, and the results of operations and cash flows for the three months ended March 31, 2014 and 2013. All intercompany balances and transactions have been eliminated. These unaudited consolidated financial statements and the related notes should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2013 included in the Annual Report on Form 10-K (2013 Form 10-K).

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

Revenues, expenses, assets and liabilities can vary during each quarter of the year. Accordingly, the results and trends in these unaudited consolidated financial statements may not be indicative of full year operating results. The preparation of financial statements requires the use of management estimates and assumptions. The most significant assumptions are employed in estimates used in determining the fair value and potential impairment of intangible assets; sales rebate and return accruals; legal contingencies; income taxes; estimated selling prices used in multiple element arrangements; and pension and postretirement benefits. Actual results may differ from estimated results.

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 utilized and responsible for the development and delivery of products to the market. Regional commercial organizations distribute and sell the products. The business is also supported by global corporate staff functions. Segment information is consistent with the financial information regularly reviewed by the chief executive officer for purposes of evaluating performance, allocating resources, setting incentive compensation targets, and planning and forecasting future periods.

Revenues of products were as follows:

	Three Months Ended March 31,	
Dollars in Millions	2014	2013
Virology		
Baraclude (entecavir)	$406	$366
Reyataz (atazanavir sulfate)	344	361
Sustiva (efavirenz) Franchise[(a)]	319	387
Oncology		
Erbitux* (cetuximab)	169	162
Sprycel (dasatinib)	342	287
Yervoy (ipilimumab)	271	229
Neuroscience		

Abilify* (aripiprazole)[(b)]	540	522
Immunoscience		
Orencia (abatacept)	363	320
Cardiovascular		
Eliquis (apixaban)	106	22
Diabetes Alliance[(c)]	179	358
Mature Products and All Other[(d)]	772	817
Total Revenues	$3,811	$3,831

(a) Includes alliance and other revenue of $272 million and $324 million for three months ended March 31, 2014 and 2013, respectively.

(b) Includes alliance and other revenue of $441 million and $395 million for three months ended March 31, 2014 and 2013, respectively.

(c) Includes Bydureon* (exenatide extended-release for injectable suspension), Byetta* (exenatide), Farxiga*/Xigduo* (dapagliflozin/dapagliflozin and metformin hydrochloride), Onglyza*/Kombiglyze* (saxagliptin/saxagliptin and metformin) and Symlin* (pramlintide acetate).

(d) Includes Plavix* (clopidogrel bisulfate) revenues of $48 million and Avapro*/Avalide* (irbesartan/irbesartan-hydrochlorothiazide) revenues of $56 million for the three months ended March 31, 2014 and $91 million and $46 million for the three months ended March 31, 2013.

Note 3. ALLIANCES

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

- 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.
- 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).
- 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.

	Three Months Ended March 31,	
Dollars in Millions	2014	2013
Revenues from alliances:		
Net product sales	$895	$1,023
Alliance and other revenues	912	809
Total Revenues	1,807	1,832
Payments to/(from) alliance partners:		
Cost of products sold	355	289
Marketing, selling and administrative	(3)	(42)
Advertising and production promotion	35	(15)
Research and development	(31)	(24)
Other (income)/expense	(395)	(72)
Net earnings attributable to noncontrolling interest, pre-tax	4	24

Selected Alliance Balance Sheet information:

Dollars in Millions	March 31, 2014	December 31, 2013
Receivables - from alliance partners	$1,095	$1,122
Accounts payable - to alliance partners	1,522	1,396
Deferred income from alliances[(a)]	2,023	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 in our 2013 Form 10-K, including their nature and purpose, the significant rights and obligations of the parties, and specific accounting policy elections. Significant developments and updates related to alliances for the first quarter of 2014 are set forth below.

AstraZeneca

In February 2014, BMS and AstraZeneca terminated their alliance agreements and BMS sold to AstraZeneca substantially all of the diabetes business comprising the alliance. Previously, BMS had an alliance with AstraZeneca consisting of three worldwide codevelopment and commercialization agreements covering (1) Onglyza* and related combination products sold under various names, (2) Forxiga* (Farxiga* in the U.S.) and related combination products and, (3) beginning in August 2012 after BMS's acquisition of Amylin Pharmaceutical, Inc. (Amylin), Amylin's portfolio of products including Bydureon*, Byetta*, Symlin* and Myalept*(metreleptin), as well as certain assets owned by Amylin, including a manufacturing facility located in West Chester, Ohio.

The divestiture included the shares of Amylin and the resulting transfer of its Ohio manufacturing facility; the intellectual property related to Onglyza* and Forxiga*; 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 was completed in all jurisdictions as of March 31, 2014 except China, pending consent from BMS's joint venture partners. For accounting purposes AstraZeneca is the principal for the end-customer product sales in all markets (except China) beginning February 1, 2014.

In connection with the sale, BMS and AstraZeneca entered into several agreements, including a transitional services agreement, a supply agreement and a development agreement. Under those agreements, BMS is obligated 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; to supply certain products, including the active product ingredients for Onglyza* and Forxiga* through 2020; and to perform ongoing development activities for certain clinical trial programs through 2016, among other things. The expected annual costs attributed to the development agreement are approximately $227 million in 2014, $127 million in 2015 and $84 million in 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 - 2025
Onglyza* and Forxiga* Worldwide Net Sales up to $500 million	44%	35%	27%	12-25%
Onglyza* and Forxiga* Worldwide Net Sales over $500 million	3%	7%	9%	12-25%
Amylin products U.S. Net Sales	—	2%	2%	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, the Mount Vernon manufacturing facility, and the activities under the development and supply agreements. Each of these elements was determined to have 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 $3.5 billion was accounted for in the first quarter of 2014 (including royalties and $700 million of contingent regulatory milestone payments related to the approval of Farxiga* in the U.S. and Forxiga* in Japan). Approximately $2.8 billion of the consideration was allocated to the sale of the business and the remaining $649 million was allocated to the undelivered elements described above. The gain on sale of the diabetes business was $259 million. The gain was based on the difference between the consideration allocated to the sale of the business (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). The consideration includes $59 million of earned royalties, of which $48 million was allocated to the sale of the business and included in other income and $11 million was allocated to the undelivered elements.

Consideration allocated to the China business and Mount Vernon manufacturing facility will continue to be deferred until those assets are 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. Consideration recognized in periods subsequent to the delivery of the elements is presented as a financing activity when received.

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

Dollars in Millions	Three Months Ended March 31, 2014	2013
Revenues from AstraZeneca alliances:		
Net product sales	$159	$355
Alliance and other revenues	19	4
Total Revenues	178	359
Payments to/(from) AstraZeneca:		
Cost of products sold:		
Profit sharing	76	146
Amortization of deferred income	—	(75)
Cost reimbursements to/(from) AstraZeneca recognized in:		
Cost products sold	(9)	(3)
Marketing, selling and administrative	(11)	(37)
Advertising and product information	(3)	(11)
Research and development	(7)	(22)
Other (income)/expense:		
Amortization of deferred income	(13)	(7)
Provision for restructuring	(2)	(5)
Royalties	(48)	—
Transitional services	(31)	—
Gain on sale of business	(259)	—
Selected Alliance Cash Flow information:		
Deferred income	275	80
Proceeds from sale of business	3,055	—

Selected Alliance Balance Sheet information:

Dollars in Millions	March 31, 2014	December 31, 2013
Deferred income attributed to:		
Non-refundable upfront, milestone and other licensing receipts[(a)]	$—	$ 3,671
Assets not yet transferred to AstraZeneca	362	—
Services not yet performed for AstraZeneca	273	—

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

Otsuka

As described in the 2013 Form 10-K, BMS recognizes revenue for Abilify* based on the expected annual contractual share using a forecast of net sales for the year. BMS assesses this percentage each quarter. This percentage was determined to be 33% and 35% for the three months ended March 31, 2014 and 2013, respectively.

Gilead

As described in the 2013 Form 10-K, effective January 1, 2014, following the European loss of exclusivity for Sustiva, 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* (emtricitabine and tenofovir disoproxil fumarate). This alliance will continue until either party terminates the arrangement or the last patent expiration occurs for Atripla*, Truvada*, or Sustiva.

11

Pfizer

As described in the 2013 Form 10-K, BMS has an alliance with Pfizer relating to Eliquis. In January 2014, BMS received a $20 million milestone payment from Pfizer related to the approval of Eliquis in the U.S. for the prevention of deep vein thrombosis in patients who have undergone hip or knee surgery.

Valeant

As described in the 2013 Form 10-K, BMS has an alliance with Valeant for certain mature brands in Europe. In March 2014, Valeant notified BMS that it will exercise its option to acquire the trademarks and intellectual property exclusively related to the products at a price determined based on a multiple of sales (expected to be approximately $60 million). The closing is expected to occur in January 2015. In addition, a $16 million charge was included in other expense to increase the fair value of the option to $34 million.

Reckitt Benckiser Group plc

As described in the 2013 Form 10-K, BMS has an alliance with Reckitt Benckiser Group plc (Reckitt) covering certain BMS over-the-counter products sold primarily in Mexico and Brazil. Reckitt also has an option to acquire all remaining rights in such products for those markets and related inventories at the end of the alliance period (May 2016). 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.

Note 4. 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. See Note 3 for further information on the transaction. 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. The following assets and liabilities of the diabetes business held-for-sale were presented separately from BMS’s other accounts.

Dollars in Millions	December 31, 2013
Assets	
Receivables	$83
Inventories	163
Deferred income taxes - current	125
Prepaid expenses and other	20
Property, plant and equipment	678
Goodwill	550
Other intangible assets	5,682
Other assets	119
Total assets held-for-sale	7,420
Liabilities	
Short-term borrowings and current portion of long-term debt	27
Accounts payable	30
Accrued expenses	148
Deferred income - current	352

Accrued rebates and returns	81
Deferred income - noncurrent	3,319
Deferred income taxes - noncurrent	946
Other liabilities	28
Total liabilities related to assets held-for-sale	4,931

Assets held-for-sale were $56 million at March 31, 2014, comprising of inventories not yet transferred to AstraZeneca, pending required regulatory approvals.

Note 5. OTHER (INCOME)/EXPENSE

Other (income)/expense includes:

	Three Months Ended March 31,	
Dollars in Millions	2014	2013
Interest expense	$54	$50
Investment income	(23)	(25)