

Income Taxes

The \$161 million income tax benefit in 2012 was attributable to a \$392 million 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 addition to this impact, the effective tax rate in 2012 was substantially lower than 24.7% in 2011 and 25.7% in 2010 resulting primarily from favorable earnings mix between high and low tax jurisdictions. The change in earnings mix was primarily attributed to lower *Plavix* sales and a \$1,830 million impairment charge for BMS-986094 intangible asset in the U.S. and to a lesser extent, an internal transfer of intellectual property. The transfer of selected intellectual property rights outside the U.S. (for existing and new products) is part of our strategy to place key assets closer to where manufacturing, distribution, and other operational decisions are made. The favorable earnings mix between high and low tax jurisdictions is expected to continue at least through 2013 (excluding the impact of the impairment charge).

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 American Taxpayer Relief Act of 2012 (the Act) was signed into law on January 2, 2013. The provisions of the Act included the retroactive reinstatement of the R&D tax credit and look through exception for 2012 and 2013. As a result, the 2012 R&D tax credit and look through exception benefit will be recognized in the first quarter of 2013. For a more detailed discussion of income taxes and changes in the effective tax rates, refer to Note 7 "Income Taxes."

Noncontrolling Interest

Noncontrolling interest is primarily related to our *Plavix* and *Avapro/Avalide* partnerships with Sanofi for the territory covering the Americas. See Note 3 "Alliances and Collaborations." The decrease in noncontrolling interest in 2012 resulted from the exclusivity loss in the U.S. of *Avapro/Avalide* in March 2012 and *Plavix* in May 2012. The increase in noncontrolling interest in 2011 corresponds to increased net sales of *Plavix* in the U.S. A summary of noncontrolling interest is as follows:

Dollars in Millions	Year Ended December 31,		
	2012	2011	2010
Sanofi partnerships	\$ 844	\$ 2,323	\$ 2,074
Other	14	20	20
Noncontrolling interest-pre-tax	858	2,343	2,094
Income taxes	(317)	(792)	(683)
Net earnings attributable to noncontrolling interest-net of taxes	\$ 541	\$ 1,551	\$ 1,411

Financial Position, Liquidity and Capital Resources

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

Dollars in Millions	2012	2011
Cash and cash equivalents	\$ 1,656	\$ 5,776
Marketable securities—current	1,173	2,957
Marketable securities—non-current	3,523	2,909
Total cash, cash equivalents and marketable securities	6,352	11,642
Short-term borrowings and current portion of long-term debt	(826)	(115)
Long-term debt	(6,568)	(5,376)
Net cash/(debt) position	\$ (1,042)	\$ 6,151
Working capital	\$ 1,242	\$ 7,538

The current net debt position and reduction in working capital during 2012 resulted primarily from net cash used in connection with the acquisitions of Amylin and Inhibitex. Cash, cash equivalents and marketable securities held in the U.S. were approximately \$1.3 billion at December 31, 2012. Most of the remaining \$5.1 billion is held primarily in low-tax jurisdictions and is attributable to earnings that are expected to be indefinitely reinvested offshore. Cash repatriations are subject to restrictions in certain jurisdictions and may be subject to withholding and additional U.S. income taxes. We started issuing commercial paper to meet near-term domestic liquidity requirements in preparation for the Amylin acquisition during the third quarter of 2012. The average amount of commercial paper outstanding was \$224 million at a weighted-average interest rate of 0.16% during 2012. The maximum month-end amount of commercial paper outstanding was \$700 million with no outstanding borrowings at December 31, 2012. We will likely continue to issue commercial paper to meet domestic liquidity requirements as needed.