BRISTOL MYERS SQUIBB CO
Form 10-Q/A
March 28, 2003

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2002

Commission File Number 1-1136

BRISTOL-MYERS SQUIBB COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**22-079-0350**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

345 Park Avenue, New York, N.Y. 10154

(Address of principal executive offices)
Telephone: (212) 546-4000

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

At February 28, 2003, there were 1,937,432,047 shares outstanding of the Registrant's $.10 par value Common Stock.

Explanatory Note

This Amendment No. 1 to Bristol-Myers Squibb Company's Quarterly Report on Form 10-Q/A for the quarterly period ended March 31, 2002 includes unaudited restated consolidated financial statements at March 31, 2002 and December 31, 2001 and for the three months ended March 31, 2002 and March 31, 2001.

The Company experienced a substantial buildup of wholesaler inventories in its U.S. pharmaceuticals business over several years, primarily in 2000 and 2001. This buildup was primarily due to sales incentives offered by the Company to its wholesalers. These incentives were generally offered towards the end of a quarter in order to incentivize wholesalers to purchase products in an amount sufficient to meet the Company's quarterly sales projections established by the Company's senior management. In April 2002, the Company disclosed this substantial buildup, and developed and subsequently undertook a plan to work down in an orderly fashion these wholesaler inventory levels.

In late October 2002, based on further review and consideration of the previously disclosed buildup of wholesaler inventories in the Company's U.S. pharmaceuticals business and the incentives offered to certain wholesalers, and on advice from the Company's independent auditors, PricewaterhouseCoopers LLP, the Company determined that it was required to restate its sales and earnings to correct errors in the timing of revenue recognition for certain sales to certain U.S. pharmaceuticals wholesalers. Since that time, the Company undertook an analysis of its transactions and incentive practices with U.S. pharmaceuticals wholesalers. As a result of its analysis, the Company determined that certain of its sales to two of the largest wholesalers for the U.S. pharmaceuticals business should be accounted for under the consignment model rather than recognizing revenue for such transactions upon shipment, based in part on the relationship between the amount of incentives offered to these wholesalers and the amount of inventory held by these wholesalers. This determination involved evaluation of a variety of criteria and a number of complex accounting judgments.

Following its determination to restate its sales and earnings for the matters described above, the Company also determined that it would correct certain of its historical accounting policies to conform the accounting to U.S. generally accepted accounting principles (GAAP) and certain known errors made in the application of GAAP that were previously not recorded because in each such case the Company believed the amount of any such error was not material to the Company's consolidated financial statements. In addition, as part of the restatement process, the Company investigated its accounting practices in certain areas that involve significant judgments and determined to restate additional items with respect to which the Company concluded errors were made in the application of GAAP, including certain revisions of inappropriate accounting.

Senior management set aggressive targets for each of the Company's businesses. The errors and inappropriate accounting which were corrected by the restatement arose, at least in part, from a period of unrealistic expectations for, and consequent over-estimation of the anticipated performance of, certain of the Company's products and programs.

As a result of the foregoing, the Company restated its financial statements for the three years ended December 31, 2001, including the corresponding 2001 and 2000 interim periods, and the quarterly periods ended March 31, 2002 and June 30, 2002. The restatement affected periods prior to 1999. The impact of the restatement on such prior periods was reflected as an adjustment to opening retained earnings as of January 1, 1999.

In connection with their audits of the restatement of previously issued annual financial statements and the Company's consolidated financial statements for the year ended December 31, 2002, the Company's independent auditors, PricewaterhouseCoopers LLP, identified and communicated to the Company and the Audit Committee two "material weaknesses" (as defined under standards established by the American Institute of Certified Public Accountants) relating to the Company's accounting and public financial reporting of significant matters and to its initial recording and management review and oversight of certain accounting matters.

In the last year, the Company searched for and hired a new chief financial officer from outside the Company, restaffed the controller position, created a position of chief compliance officer and changed leadership at the Pharmaceuticals group.

In response to the wholesaler inventory buildup and the other matters identified as restatement adjustments, under the direction of the Audit Committee, in the last year, senior management has directed that the Company dedicate resources and take steps to strengthen control processes and procedures in order to identify and rectify past accounting errors and prevent a recurrence of the circumstances that resulted in the need to restate prior period financial statements. The Company also revised its budgeting process to emphasize a bottom-up approach in contrast to a top-down approach. The Company has implemented a review and certification process of its annual and quarterly reports under the Securities Exchange Act of 1934, as amended, as well as processes designed to enhance the monitoring of wholesaler inventories. In addition, the Company is in the process of expanding its business risks and disclosure group, which includes senior management, including the chief executive officer and the chief financial officer, and is taking a number of additional steps designed to create a more open environment for communications and flow of information throughout the Company. The Company continues to identify and implement actions to improve the effectiveness of its disclosure controls and procedures and internal controls, including plans to enhance its resources and training with respect to the Company's financial reporting and disclosure responsibilities, and to review such actions with its Audit Committee and independent auditors.

The restatement of previously issued financial statements reduced the Company's net earnings and diluted earnings per share in the years ended December 31, 2001, 2000 and 1999 by approximately $411 million or $0.21, $240 million or $0.12 and $366 million or $0.18, respectively, and increased the Company's net earnings and diluted earnings per share in the quarterly period ended March 31, 2002 by approximately $271 million or $.14 and in the quarterly period ended June 30, 2002 by approximately $39 million or $.02.

The Company's use of the consignment model to account for certain sales to two of the largest wholesalers for the U.S. pharmaceuticals business is discussed in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, in Part I of this Form 10-Q/A.

For a description of the restatement, see Note 2, Restatement of Previously Issued Financial Statements, to the accompanying restated consolidated financial statements and Amendment No. 1 to the Company's Annual Report on Form 10-K/A for the year ended December 31, 2001, which was previously filed with the Securities and Exchange Commission (SEC).

For a discussion of the Company's revenue recognition policy, reference is made to Note 1, Basis of Presentation and Accounting Standards, to the accompanying restated consolidated financial statements.

This Form 10-Q/A amends and restates Items 1 and 2 of Part I and Items 1 and 6 of Part II of the original Form 10-Q, and no other information included in the original Form 10-Q is amended hereby. The explanatory caption at the beginning of each item of this Form 10-Q/A sets forth the nature of the revisions to that item.

The Company did not amend its Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q for periods affected by the restatement that ended prior to December 31, 2001, and the financial statements and related financial information contained in such reports should no longer be relied upon.

For a discussion of events and developments subsequent to March 31, 2002, see Amendment No. 1 to the Company's Quarterly Report on Form 10-Q/A for the quarterly period ended June 30, 2002, which is being filed concurrently with this Form 10-Q/A, the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002, which was previously filed with the SEC, the Company's Annual Report on Form 10-K for the year ended December 31, 2002, which is being filed concurrently with this Form 10-Q/A, and the Company's subsequent filings.

BRISTOL-MYERS SQUIBB COMPANY

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March 31, 2002

PART I FINANCIAL INFORMATION

Item 1. RESTATED FINANCIAL STATEMENTS

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

BRISTOL-MYERS SQUIBB COMPANY
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

	Restated March 31, 2002	Restated December 31, 2001
	(dollars in millions)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 3,382	$ 5,500
Time deposits and marketable securities	198	154
Receivables, net of allowances $125 and $122	3,774	3,992
Inventories:		
Finished goods	895	833
Work in process	410	411
Raw and packaging materials	257	247
Consignment inventory	166	208
Total Inventories	1,728	1,699
Prepaid expenses	1,672	1,904
Total Current Assets	10,754	13,249
Property, plant and equipment	8,048	7,972
Less: Accumulated depreciation	3,120	3,085
	4,928	4,887
Goodwill	5,119	5,119
Intangible assets, net	2,047	2,084
Other assets	2,730	2,473
Total Assets	$ 25,578	$ 27,812
LIABILITIES		
Current Liabilities:		
Short-term borrowings	$ 308	$ 174
Deferred revenue on consigned inventory	1,674	2,026
Accounts payable	1,352	1,478
Accrued litigation settlements	125	35
Dividends payable	542	542
Accrued expenses	2,651	3,141

	Restated March 31, 2002	Restated December 31, 2001
Accrued rebates and returns	864	888
U.S. and foreign income taxes payable	1,179	2,825
Total Current Liabilities	8,695	11,109
Other liabilities	1,370	1,391
Long-term debt	6,170	6,237
Total Liabilities	16,235	18,737
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Preferred stock, $2 convertible series: Authorized 10 million shares; issued and outstanding 8,857 in 2002 and 8,914 in 2001, liquidation value of $50 per share		
Common stock, par value of $.10 per share: Authorized 4.5 billion shares; issued 2,200,575,063 in 2002 and 2,200,010,476 in 2001	220	220
Capital in excess of par value of stock	2,461	2,403
Other accumulated comprehensive loss	(1,174)	(1,117)
Retained earnings	19,271	18,958
	20,778	20,464
Less cost of treasury stock 261,962,677 common shares in 2002 and 264,389,570 in 2001	11,435	11,389
Total Stockholders' Equity	9,343	9,075
Total Liabilities and Stockholders' Equity	$ 25,578	$ 27,812

The accompanying notes are an integral part of these financial statements

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BRISTOL-MYERS SQUIBB COMPANY

CONSOLIDATED STATEMENT OF EARNINGS,
COMPREHENSIVE INCOME AND RETAINED EARNINGS

(UNAUDITED)

	Three Months Ended March 31,	
	Restated 2002	Restated 2001
	(in millions, except per share data)	
EARNINGS		
Net Sales	$ 4,661	$ 4,589

	Three Months Ended March 31,	
Cost of products sold	1,502	1,263
Marketing, selling and administrative	912	913
Advertising and product promotion	259	339
Research and development	502	498
Acquired in-process research and development	160	3
Gain on sales of businesses/product lines	(30)	(32)
Provision for restructuring and other items	(1)	
Litigation settlement charge	90	
Other (income)/expense, net	39	(25)
	3,433	2,959
Earnings from Continuing Operations Before Minority Interest and Income Taxes	1,228	1,630
Provision for income taxes	333	386
Minority interest, net of taxes[1]	53	27
Earnings from Continuing Operations	842	1,217
Discontinued Operations:		
Net earnings		93
Net gain on disposal	14	
	14	93
Net Earnings	$ 856	$ 1,310
Earnings Per Common Share		
Basic		
Earnings from Continuing Operations	$ .43	$ .62
Discontinued Operations:		
Net earnings		.05
Net gain on disposal	.01	
	.01	.05
Net Earnings	$ .44	$ .67
Diluted		
Earnings from Continuing Operations	$ .43	$ .61
Discontinued Operations:		
Net earnings		.05
Net gain on disposal	.01	
	.01	.05
Net Earnings	$ .44	$ .66

	Three Months Ended March 31,	
Average Common Shares Outstanding		
Basic	1,935	1,948
Diluted	1,952	1,978
Dividends declared per Common Share	$ .280	$ .275

(1) Includes minority interest expense and income from unconsolidated affiliates.

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

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	Three Months Ended March 31,	
	Restated 2002	Restated 2001
	(dollars in millions)	
COMPREHENSIVE INCOME		
Net Earnings	$ 856	$ 1,310
Other Comprehensive (Loss) Income:		
Foreign currency translation, net of tax benefit of $10 in 2002 and $19 in 2001	(48)	82
Deferred (loss) gain on derivatives qualifying as hedges, net of tax benefit of $4 in 2002 and taxes of $13 in 2001	(9)	17
Total Other Comprehensive (Loss) Income	(57)	99
Comprehensive Income	$ 799	$ 1,409
RETAINED EARNINGS		
Retained Earnings, January 1	$ 18,958	$ 16,422
Net Earnings	856	1,310
Cash dividends declared	(543)	(534)
Retained Earnings, March 31	$ 19,271	$ 17,198

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

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BRISTOL-MYERS SQUIBB COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

	Three Months Ended March 31,	
	Restated 2002	Restated 2001
	(dollars in millions)	
Cash Flows From Operating Activities:		
Net earnings	$ 856	$ 1,310
Depreciation	105	118
Amortization	74	56
Litigation settlement charge	90	
Provision for restructuring and other items	(1)	
Acquired in-process research and development	160	3
Gain on sales of businesses/product lines	(54)	(32)
Other operating items	(17)	4
Receivables	159	(253)
Inventories	(28)	(84)
Deferred revenue on consigned inventory	(353)	37
Accounts payable and accrued expenses	(434)	(170)
Income taxes	(1,449)	146
Product liability	(27)	(72)
Insurance recoverable	11	77
Pension contribution to the U.S. retirement income plan	(150)	(215)
Other assets and liabilities	(28)	(56)
Net Cash (Used In) Provided by Operating Activities	(1,086)	869
Cash Flows From Investing Activities:		
Proceeds from sales of time deposits and marketable securities	83	404
Purchases of time deposits and marketable securities	(123)	(512)
Additions to property, plant and equipment	(211)	(175)
Proceeds from product divestitures	40	40
Business acquisitions (including purchase of trademarks/patents)	(186)	(22)
DuPont acquisition costs and liabilities	(242)	
Other, net	50	(45)
Net Cash Used in Investing Activities	(589)	(310)
Cash Flows From Financing Activities:		
Short-term borrowings	87	17
Long-term debt borrowings	1	
Issuances of common stock under stock plans	83	64
Purchases of treasury stock	(67)	(668)
Dividends paid	(542)	(537)
Net Cash Used in Financing Activities	(438)	(1,124)
Effect of Exchange Rates on Cash	(5)	17

	Three Months Ended March 31,	
Decrease in Cash and Cash Equivalents	(2,118)	(548)
Cash and Cash Equivalents at Beginning of Period	5,500	3,182
Cash and Cash Equivalents at End of Period	$ 3,382	$ 2,634

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

BRISTOL-MYERS SQUIBB COMPANY

NOTES TO RESTATED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Throughout these notes to restated consolidated financial statements, all referenced amounts for current and prior periods and prior period comparisons reflect the balances and amounts on a restated basis.

Note 1: Basis of Presentation and New Accounting Standards

Bristol-Myers Squibb Company (the Company) prepared these unaudited restated consolidated financial statements following the requirements of the Securities and Exchange Commission (SEC) and U.S. generally accepted accounting principles (GAAP) for interim reporting. Under those rules, certain footnotes and other financial information that are normally required by GAAP for annual financial statements can be condensed or omitted. The Company is responsible for the restated consolidated financial statements included in this Form 10-Q/A. These restated consolidated financial statements include all normal and recurring adjustments necessary for a fair presentation of the Company's restated financial position at March 31, 2002 and December 31, 2001, and the restated results of its operations and restated cash flows for the three months ended March 31, 2002 and March 31, 2001. Note 2, Restatement of Previously Issued Financial Statements, to these restated consolidated financial statements provides a summary discussion of the restatement. These restated consolidated financial statements should be read in conjunction with the restated consolidated financial statements and the related notes included in Amendment No. 1 to the Company's Annual Report on Form 10-K/A for the year ended December 31, 2001 (2001 Form 10-K/A). PricewaterhouseCoopers LLP, the Company's independent accountants, have performed a review of the unaudited restated consolidated financial statements included in this Form 10-Q/A, and their review report thereon accompanies this Form 10-Q/A.

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

The Company recognizes revenue for sales upon shipment of product to its customers, except in the case of certain transactions with its U.S. pharmaceuticals wholesalers which are accounted for using the consignment model. Under GAAP, revenue is recognized when substantially all the risks and rewards of ownership have transferred. In the case of sales made to wholesalers (1) as a result of incentives, (2) in excess of the wholesaler's ordinary course of business inventory level, (3) at a time when there was an understanding, agreement, course of dealing or consistent business practice that the Company would extend incentives based on levels of excess inventory in connection with future purchases and (4) at a time when such incentives would cover substantially all, and vary directly with, the wholesaler's cost of carrying inventory in excess of the wholesaler's ordinary course of business inventory level, substantially all the risks and rewards of ownership do not transfer upon shipment and, accordingly, such sales should be accounted for using the consignment model. The determination of when, if at all, sales to a wholesaler meet the foregoing criteria involves evaluation of a variety of factors and a number of complex judgments. Under the consignment model, the Company does not recognize revenue upon shipment of product. Rather, upon shipment of product the Company invoices the wholesaler, records deferred revenue at gross invoice sales price and classifies the inventory held by the wholesalers as consignment inventory at the Company's cost of such inventory. The Company recognizes revenue when the consignment inventory is no longer subject to incentive arrangements but not later than when such inventory is sold through to the wholesalers' customers, on a first-in first-out (FIFO) basis.

Revenues are reduced at the time of sale to reflect expected returns that are estimated based on historical experience. Additionally, provision is made at the time of sale for all discounts, rebates and estimated sales allowances based on historical experience updated for changes in facts and circumstances, as appropriate. Such provision is recorded as a reduction of revenue.

The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant assumptions are employed in estimates used in determining values of intangible assets, restructuring charges and accruals, sales rebate and return accruals, legal contingencies and tax assets and tax liabilities, as well as in estimates used in applying the revenue recognition policy and accounting for retirement and postretirement benefits (including the actuarial assumptions). Actual results could differ from the estimated results.

Certain prior year amounts have been reclassified to conform to the current year presentation.

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN 46). FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN 46 also requires disclosures about variable interest entities that a company is not required to consolidate but in which it has a significant variable interest. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003 and to existing entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply to all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company is in the process of assessing what impact this pronouncement will have on its consolidated financial statements. Based on its preliminary analysis of the impact of FIN 46, the Company believes that it is reasonably possible that ImClone Systems Incorporated (ImClone) could meet the criteria to be considered a variable interest entity in relation to the Company. Accordingly, the Company has included the required transitional disclosures of FIN 46 in Note 4, Alliances and Investments, to these restated consolidated financial statements.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure*. SFAS No. 148 amends SFAS No. 123, *Accounting for Stock-Based Compensation*, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of SFAS No. 148 are effective for financial statements for fiscal years and interim periods ending after December 15, 2002. SFAS No. 148 did not have a material impact on the Company's consolidated financial statements, as the adoption of this standard did not require the Company to change, and the Company does not plan to change, to the fair value based method of accounting for stock-based compensation.

In November 2002, the FASB issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (FIN 45). FIN 45 requires a guarantor to recognize a liability at the inception of the guarantee for the fair value of the obligation undertaken in issuing the guarantee and include more detailed disclosure with respect to

guarantees. The types of contracts the Company enters into that meet the scope of this interpretation are financial and performance standby letters of credit on behalf of wholly-owned subsidiaries. FIN 45 is effective for guarantees issued or modified after December 31, 2002. The initial adoption of this accounting pronouncement is not expected to have a material effect on the Company's consolidated financial statements.

In June 2002, the FASB issued SFAS No. 146, *Accounting for Exit or Disposal Activities*, effective for exit or disposal activities that are initiated after December 31, 2002. SFAS No. 146 addresses issues regarding the recognition, measurement, and reporting of costs that are associated with exit and/or disposal activities, including restructuring activities that are currently accounted for pursuant to the guidance that the Emerging Issues Task Force (EITF) has set forth in EITF Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*, and the SEC has set forth in the Staff Accounting Bulletin No. 100, *Restructuring and Impairment Charges*. The initial adoption of this accounting standard is not expected to have a material effect on the Company's consolidated financial statements.

In April 2002, the FASB issued SFAS No. 145, which superseded SFAS No. 4 and the requirement to aggregate all gains and losses from extinguishment of debt and to classify, if material, as an extraordinary item, net of related income tax effect. As a result, the criteria in Accounting Principles Board Opinion No. 30 will be used to classify those gains and losses. SFAS No. 145 also amends SFAS No. 13 to require that certain lease modifications that have economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. The Company does not believe the initial adoption of this standard will have a material effect on its consolidated financial statements.

As part of the restatement of previously issued financial statements, the Company adopted EITF Issue No. 01-9, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)*, as of January 1, 2002, and now presents the cost of certain vendor considerations (e.g., cooperative advertising payments, shelving allowances and manufacturer's coupons) as reductions of revenue instead of advertising and promotion expenses. Financial information for all prior periods presented has been reclassified to comply with the new income statement classification requirements. Pursuant to EITF 01-9, certain advertising and promotion expenses were reclassified from advertising and promotion expenses to a reduction in net sales in the three months ended March 31, 2002 in the amount of $41 million and in the three months ended March 31, 2001 in the amount of $42 million.

Effective January 1, 2002, the Company adopted the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* This statement supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of,* and the accounting and reporting provisions of APB Opinion No. 30, *Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*, for the disposal of a segment of business. SFAS No. 144 addresses accounting for the impairment of long-lived assets and the appropriate methodology for recording an impairment loss. The adoption of this statement did not have a material impact on the consolidated financial statements of the Company.

In June 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations.* Under SFAS No. 143, the fair value of a liability for an asset retirement obligation must be recognized in the

period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. The provisions of SFAS No. 143 are effective for financial statements for fiscal years beginning after June 15, 2002. The initial adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In June 2001, the FASB issued SFAS No. 142, *Goodwill and Other Intangible Assets*, effective for fiscal years beginning after December 15, 2001. The Company adopted SFAS No. 142 on January 1, 2002, with certain provisions applied earlier (upon acquisition) to goodwill and other intangible assets acquired after June 30, 2001. SFAS No. 142 addresses the initial recognition and measurement of intangible assets acquired and the recognition and measurement of goodwill and other intangible assets subsequent to their acquisition. Under the new rules, goodwill and intangible assets acquired other than in a business combination with indefinite lives will no longer be amortized but will be subject to annual impairment tests. The goodwill arising from business acquisitions prior to July 1, 2001 was amortized on a straight-line basis over periods ranging from 15 to 40 years. This goodwill is no longer being amortized effective in 2002. Total restated expenses related to the amortization of goodwill included in earnings for the three month period ended March 31, 2001 was $19 million, or $0.01 per share on a basic and diluted basis.

In accordance with SFAS No. 142, goodwill and indefinite-lived intangible assets are tested for impairment upon adoption of the standard and annually thereafter. SFAS No. 142 requires that goodwill be tested for impairment using a two-step process. The first step is to identify a potential impairment and the second step measures the amount of the impairment loss, if any. Goodwill is deemed to be impaired if the carrying amount of a reporting unit's goodwill exceeds its estimated fair value. SFAS No. 142 requires that indefinite-lived intangible assets be tested for impairment using a one-step process, which consists of a comparison of the fair value to the carrying value of the intangible asset. Intangible assets are deemed to be impaired if the net book value exceeds the estimated fair value. The Company has completed its goodwill impairment assessment which indicated no impairment of goodwill.

Note 1: Basis of Presentation and New Accounting Standards (Continued)

The changes in the carrying amount of goodwill for the year ended December 31, 2001 and the three months ended March 31, 2002, were as follows:

	Restated Pharmaceuticals Segment	Restated Nutritionals Segment	Restated Other Healthcare Segment	Restated Total
	(dollars in millions)			
Balance as of December 31, 2000[1]	$ 944	$ 208	$ 202	$ 1,354
Amortization expense	(43)	(18)	(14)	(75)
Additions	3,837	1	2	3,840
Balance as of December 31, 2001 and March 31, 2002	$ 4,738	$ 191	$ 190	$ 5,119