

BECTON DICKINSON & CO  
Form 10-Q  
August 06, 2012  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2012

OR

**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 001-4802

**Becton, Dickinson and Company**

(Exact name of registrant as specified in its charter)

Edgar Filing: BECTON DICKINSON & CO - Form 10-Q

New Jersey  
(State or other jurisdiction of  
incorporation or organization)

22-0760120  
(I.R.S. Employer  
Identification No.)

1 Becton Drive, Franklin Lakes, New Jersey 07417-1880

(Address of principal executive offices)

(Zip Code)

(201) 847-6800

(Registrant's telephone number, including area code)

N/A

(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 such filing requirements for the past 90 days. Yes  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  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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class of Common Stock  
Common stock, par value \$1.00

Shares Outstanding as of June 30, 2012  
199,554,920



**Table of Contents**

BECTON, DICKINSON AND COMPANY

FORM 10-Q

For the quarterly period ended June 30, 2012

TABLE OF CONTENTS

	Page Number	
<b><u>Part I.</u></b>	<b><u>FINANCIAL INFORMATION</u></b>	
Item 1.	Financial Statements (Unaudited)	
	<u>Condensed Consolidated Balance Sheets</u>	3
	<u>Condensed Consolidated Statements of Income</u>	4
	<u>Condensed Consolidated Statements of Cash Flows</u>	5
	<u>Notes to Condensed Consolidated Financial Statements</u>	6
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	25
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	38
Item 4.	<u>Controls and Procedures</u>	38
<b><u>Part II.</u></b>	<b><u>OTHER INFORMATION</u></b>	
Item 1.	<u>Legal Proceedings</u>	39
Item 1A.	<u>Risk Factors</u>	40
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	40
Item 3.	<u>Defaults Upon Senior Securities</u>	41
Item 4.	<u>Mine Safety Disclosures</u>	41
Item 5.	<u>Other Information</u>	41
Item 6.	<u>Exhibits</u>	41
<u>Signatures</u>		42
<u>Exhibits</u>		43

**Table of Contents**

## ITEM 1. FINANCIAL STATEMENTS

## BECTON, DICKINSON AND COMPANY

## CONDENSED CONSOLIDATED BALANCE SHEETS

Thousands of dollars

	June 30, 2012 (Unaudited)	September 30, 2011
<u>Assets</u>		
Current Assets:		
Cash and equivalents	\$ 1,658,719	\$ 1,175,282
Short-term investments	529,735	388,031
Trade receivables, net	1,160,344	1,228,637
Inventories:		
Materials	180,814	176,955
Work in process	260,142	233,538
Finished products	798,162	834,479
	1,239,118	1,244,972
Prepaid expenses, deferred taxes and other	565,208	631,409
Assets held for sale	131,591	
Total Current Assets	5,284,715	4,668,331
Property, plant and equipment	6,826,175	6,880,209
Less allowances for depreciation and amortization	3,676,200	3,669,012
	3,149,975	3,211,197
Goodwill	1,016,576	991,121
Core and Developed Technology, Net	355,365	380,899
Other Intangibles, Net	412,435	417,636
Capitalized Software, Net	342,695	316,634
Other	463,103	444,610
Total Assets	\$ 11,024,864	\$ 10,430,428
<u>Liabilities and Shareholders' Equity</u>		
Current Liabilities:		
Short-term debt	\$ 410,737	\$ 234,932
Payables and accrued expenses	1,478,932	1,588,296
Total Current Liabilities	1,889,669	1,823,228
Long-Term Debt	3,760,642	2,484,665
Long-Term Employee Benefit Obligations	789,899	1,068,483
Deferred Income Taxes and Other	350,150	225,877
Commitments and Contingencies		
Shareholders' Equity:		
Common stock	332,662	332,662
Capital in excess of par value	1,881,556	1,793,160
Retained earnings	10,233,693	9,633,584
Deferred compensation	18,069	18,875

Edgar Filing: BECTON DICKINSON & CO - Form 10-Q

Common shares in treasury at cost	(7,525,819)	(6,280,106)
Accumulated other comprehensive loss	(705,657)	(670,000)
Total Shareholders Equity	4,234,504	4,828,175
Total Liabilities and Shareholders Equity	\$ 11,024,864	\$ 10,430,428

See notes to condensed consolidated financial statements

**Table of Contents**

## BECTON, DICKINSON AND COMPANY

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Thousands of dollars, except per share data

(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2012	2011	2012	2011
Revenues	\$ 1,980,530	\$ 1,951,889	\$ 5,741,211	\$ 5,595,856
Cost of products sold	947,395	922,652	2,789,044	2,654,081
Selling and administrative	469,130	467,968	1,439,094	1,343,946
Research and development	114,987	114,078	343,968	344,989
<b>Total Operating Costs and Expenses</b>	<b>1,531,512</b>	<b>1,504,698</b>	<b>4,572,106</b>	<b>4,343,016</b>
Operating Income	449,018	447,191	1,169,105	1,252,840
Interest income	6,253	11,508	38,379	41,294
Interest expense	(34,849)	(22,211)	(99,367)	(61,685)
Other (expense) income, net	(1,881)	(1,318)	2,392	(8,436)
Income From Continuing Operations Before Income Taxes	418,541	435,170	1,110,509	1,224,013
Income tax provision	106,960	113,630	275,260	308,177
Income From Continuing Operations	311,581	321,540	835,249	915,836
Income from Discontinued Operations, net	15,285	21,518	45,635	55,179
Net Income	\$ 326,866	\$ 343,058	\$ 880,884	\$ 971,015
<b>Basic Earnings per Share:</b>				
Income from Continuing Operations	\$ 1.54	\$ 1.47	\$ 4.02	\$ 4.11
Income from Discontinued Operations	0.08	0.10	0.22	0.25
Basic Earnings per Share	\$ 1.62	\$ 1.57	\$ 4.24	\$ 4.36
<b>Diluted Earnings per Share:</b>				
Income from Continuing Operations	\$ 1.52	\$ 1.44	\$ 3.95	\$ 4.02
Income from Discontinued Operations	0.07	0.10	0.22	0.24
Diluted Earnings per Share (A)	\$ 1.59	\$ 1.53	\$ 4.17	\$ 4.26
Dividends per Common Share	\$ 0.450	\$ 0.410	\$ 1.350	\$ 1.230

(A) Total per share amounts may not add due to rounding.  
See notes to condensed consolidated financial statements





**Table of Contents**

## BECTON, DICKINSON AND COMPANY

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Thousands of dollars

(Unaudited)

	Nine Months Ended June 30,	
	2012	2011
<b><u>Operating Activities</u></b>		
Net income	\$ 880,884	\$ 971,015
Less: Income from discontinued operations, net	45,635	55,179
Income from continuing operations	835,249	915,836
Adjustments to income from continuing operations to derive net cash provided by continuing operating activities, net of amounts acquired:		
Depreciation and amortization	383,559	364,762
Share-based compensation	71,689	72,202
Deferred income taxes	(5,674)	27,430
Change in operating assets and liabilities	(117,819)	(316,277)
Pension obligation	(39,859)	60,872
Other, net	8,791	(6,989)
Net Cash Provided by Continuing Operating Activities	1,135,936	1,117,836
<b><u>Investing Activities</u></b>		
Capital expenditures	(313,481)	(317,564)
Capitalized software	(51,225)	(58,018)
Purchases of investments, net	(158,074)	(204,981)
Acquisitions of businesses, net of cash acquired	(50,891)	(204,970)
Other, net	(70,540)	(41,759)
Net Cash Used for Continuing Investing Activities	(644,211)	(827,292)
<b><u>Financing Activities</u></b>		
Change in short-term debt	5,784	33,611
Proceeds from long-term debt	1,488,285	991,265
Payments of debt	(42,337)	(27)
Repurchase of common stock	(1,250,011)	(1,272,828)
Excess tax benefits from payments under share-based compensation plans	8,748	35,200
Dividends paid	(280,260)	(272,737)
Issuance of common stock and other, net	13,438	77,263
Net Cash Used for Continuing Financing Activities	(56,353)	(408,253)
<b><u>Discontinued Operations</u></b>		
Net cash provided by operating activities	54,588	55,467
Net cash used for investing activities	(3,959)	(3,792)
Net Cash Provided by Discontinued Operations	50,629	51,675
Effect of exchange rate changes on cash and equivalents	(2,564)	8,082

Edgar Filing: BECTON DICKINSON & CO - Form 10-Q

Net increase (decrease) in cash and equivalents	483,437	(57,952)
Opening Cash and Equivalents	1,175,282	1,215,989
Closing Cash and Equivalents	\$ 1,658,719	\$ 1,158,037

See notes to condensed consolidated financial statements

**Table of Contents**

BECTON, DICKINSON AND COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Dollar and share amounts in thousands, except per share data

June 30, 2012

**Note 1 Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, in the opinion of the management of the Company, include all adjustments which are of a normal recurring nature, necessary for a fair presentation of the financial position and the results of operations and cash flows for the periods presented. However, the financial statements do not include all information and accompanying notes required for a presentation in accordance with U.S. generally accepted accounting principles. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included or incorporated by reference in the Company's 2011 Annual Report on Form 10-K. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year.

**Note 2 Accounting Changes**

*Change in Accounting Principles*

In May 2011, the Financial Accounting Standards Board ( FASB ) issued amendments to clarify guidance relating to fair value measurements. The amendments also expand the disclosure requirements for entities' fair value measurements, particularly those relating to measurements based upon significant unobservable inputs. The Company adopted the amended fair value measurement guidance, which did not have an impact on the consolidated financial statements, on January 1, 2012.

*Change in Accounting Estimates*

During the second quarter of fiscal year 2012, the Company changed the useful lives of certain machinery and equipment assets used in production processes from 10 years to 13 years, to better reflect the estimated period during which these assets will remain in service. This change resulted from continuous improvement project evaluations, which included a review of assumptions related to the expected utilization of machinery and equipment assets. The Company accounted for the change in useful lives as a change in estimate prospectively effective January 1, 2012 and this change in estimate is expected to result in an increase in operating income of approximately \$19,900 for fiscal year 2012.

**Table of Contents****Note 3 Comprehensive Income**

Comprehensive income was comprised of the following:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2012	2011	2012	2011
Net Income	\$ 326,866	\$ 343,058	\$ 880,884	\$ 971,015
Other Comprehensive Income (Loss), Net of Tax				
Foreign currency translation adjustments	(263,223)	80,663	(203,081)	217,272
Benefit plans adjustment	9,632	10,765	163,012	32,295
Unrealized gain (loss) on investments, net of amounts recognized	12	535	(19)	535
Unrealized gains on cash flow hedges, net of amounts realized	1,313	249	4,431	9,396
	(252,266)	92,212	(35,657)	259,498
Comprehensive Income	\$ 74,600	\$ 435,270	\$ 845,227	\$ 1,230,513

The losses recorded as foreign currency translation adjustments for the three and nine-month periods ending June 30, 2012 are mainly attributable to the weakening of the Euro against the U.S. dollar during these periods. The gain recorded as benefit plan adjustments for the nine months ended June 30, 2012 primarily relates to the November 30, 2011 remeasurement of the Company's U.S. pension plan. Additional disclosures regarding the benefit plan remeasurement are included in Note 8.

**Note 4 Earnings per Share**

The weighted average common shares used in the computations of basic and diluted earnings per share (shares in thousands) were as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2012	2011	2012	2011
Average common shares outstanding	202,015	218,966	207,605	222,674
Dilutive share equivalents from share-based plans	3,275	4,601	3,649	5,108
Average common and common equivalent shares outstanding assuming dilution	205,290	223,567	211,254	227,782

**Note 5 Contingencies**

Given the uncertain nature of litigation generally, the Company is not able in all cases to estimate the amount or range of loss that could result from an unfavorable outcome of the litigation to which the Company is a party. In accordance with U.S. generally accepted accounting principles, the Company establishes accruals to the extent probable future losses are estimable (in the case of environmental matters, without considering possible third-party recoveries). In view of the uncertainties discussed below, the Company could incur charges in

**Table of Contents**

excess of any currently established accruals and, to the extent available, excess liability insurance. In the opinion of management, any such future charges, individually or in the aggregate, could have a material adverse effect on the Company's consolidated results of operations and consolidated cash flows.

The Company is named as a defendant in the following purported class action suits brought on behalf of distributors and other entities that purchase the Company's products (the Distributor Plaintiffs), alleging that the Company violated federal antitrust laws, resulting in the charging of higher prices for the Company's products to the plaintiffs and other purported class members.

<b>Case</b>	<b>Court</b>	<b>Date Filed</b>
<i>Louisiana Wholesale Drug Company, Inc., et. al. vs. Becton Dickinson and Company</i>	U.S. District Court, Newark, New Jersey	March 25, 2005
<i>SAJ Distributors, Inc. et. al. vs. Becton Dickinson &amp; Co.</i>	U.S. District Court, Eastern District of Pennsylvania	September 6, 2005
<i>Dik Drug Company, et. al. vs. Becton Dickinson and Company</i>	U.S. District Court, Newark, New Jersey	September 12, 2005
<i>American Sales Company, Inc. et. al. vs. Becton, Dickinson &amp; Co.</i>	U.S. District Court, Eastern District of Pennsylvania	October 3, 2005
<i>Park Surgical Co. Inc. et. al. vs. Becton, Dickinson and Company</i>	U.S. District Court, Eastern District of Pennsylvania	October 26, 2005
These actions have been consolidated under the caption <i>In re Hypodermic Products Antitrust Litigation</i> .		

The Company is also named as a defendant in the following purported class action suits brought on behalf of purchasers of the Company's products, such as hospitals (the Hospital Plaintiffs), alleging that the Company violated federal and state antitrust laws, resulting in the charging of higher prices for the Company's products to the plaintiffs and other purported class members.

<b>Case</b>	<b>Court</b>	<b>Date Filed</b>
<i>Jabos Pharmacy, Inc., et. al. v. Becton Dickinson &amp; Company</i>	U.S. District Court, Greenville, Tennessee	June 3, 2005
<i>Drug Mart Tallman, Inc., et. al. v. Becton Dickinson and Company</i>	U.S. District Court, Newark, New Jersey	January 17, 2006
<i>Medstar v. Becton Dickinson</i>	U.S. District Court, Newark, New Jersey	May 18, 2006
<i>The Hebrew Home for the Aged at Riverdale v. Becton Dickinson and Company</i>	U.S. District Court, Southern District of New York	March 28, 2007

---

**Table of Contents**

The plaintiffs in each of the above antitrust class action lawsuits seek monetary damages. All of the antitrust class action lawsuits have been consolidated for pre-trial purposes in a Multi-District Litigation in Federal court in New Jersey.

On April 27, 2009, the Company entered into a settlement agreement with the Distributor Plaintiffs in these actions. The settlement agreement provides for, among other things, the payment by the Company of \$45,000 in exchange for a release by all potential class members of the direct purchaser claims under federal antitrust laws related to the products and acts enumerated in the complaint, and a dismissal of the case with prejudice, insofar as it relates to direct purchaser claims. The release would not cover potential class members that affirmatively opt out of the settlement or indirect purchaser claims. On September 30, 2010, the District Court denied a motion to approve the settlement agreement, ruling that the Hospital Plaintiffs, and not the Distributor Plaintiffs, are the direct purchasers with standing to sue under federal antitrust laws. On June 5, 2012, the U.S. Court of Appeals for the Third Circuit reversed the District Court's standing decision and ruled that the Distributor Plaintiffs, not the Hospital Plaintiffs, are direct purchasers entitled to pursue damages. The Hospital Plaintiffs are seeking a rehearing. Assuming the ruling of the Third Circuit stands, the settlement agreement will remain in effect, subject to certain termination provisions, and must be approved as to fairness by the District Court. The Company currently cannot estimate the range of reasonably possible losses with respect to these class action matters beyond the \$45,000 already accrued and changes to the amount already recognized may be required in the future as additional information becomes available.

In June 2007, Retractable Technologies, Inc. ( RTI ) filed a complaint against the Company under the caption *Retractable Technologies, Inc. vs. Becton Dickinson and Company* (Civil Action No. 2:07-cv-250, U.S. District Court, Eastern District of Texas). RTI alleges that the BD Integra™ syringes infringe patents licensed exclusively to RTI. In its complaint, RTI also alleges that the Company engaged in false advertising with respect to certain of the Company's safety-engineered products in violation of the Lanham Act; acted to exclude RTI from various product markets and to maintain its market share through, among other things, exclusionary contracts in violation of state and federal antitrust laws; and engaged in unfair competition. In January 2008, the court severed the patent and non-patent claims into separate cases, and stayed the non-patent claims during the pendency of the patent claims at the trial court level. RTI seeks money damages and injunctive relief. On April 1, 2008, RTI filed a complaint against BD under the caption *Retractable Technologies, Inc. and Thomas J. Shaw v. Becton Dickinson and Company* (Civil Action No.2:08-cv-141, U.S. District Court, Eastern District of Texas). RTI alleges that the BD Integra™ syringes infringe another patent licensed exclusively to RTI. RTI seeks money damages and injunctive relief. On August 29, 2008, the court ordered the consolidation of the patent cases. On November 9, 2009, at a trial of these consolidated cases, the jury rendered a verdict in favor of RTI on all but one of its infringement claims, but did not find any willful infringement, and awarded RTI \$5,000 in damages. On May 19, 2010, the court granted RTI's motion for a permanent injunction against the continued sale by the Company of its BD Integra™ products in their current form, but stayed the injunction for the duration of the Company's appeal. At the same time, the court lifted a stay of RTI's non-patent claims. On July 8, 2011, the Court of Appeals for the Federal Circuit reversed the District Court judgment that the Company's 3ml BD Integra products infringed the asserted RTI patents and affirmed the District Court judgment of infringement against the Company's discontinued 1ml BD Integra products. On October 31, 2011, the Federal Circuit Court of Appeals denied RTI's request for an en banc rehearing. RTI has filed a petition for review with the U.S. Supreme Court. The trial on RTI's antitrust and false advertising claims has been postponed pending resolution of RTI's appeal of the patent ruling.

**Table of Contents**

With respect to RTI's antitrust and false advertising claims, BD cannot estimate the possible loss or range of possible loss as there are significant legal and factual issues to be resolved. These include discovery regarding RTI's alleged damages and liability theories, which has not been completed. Each party has filed motions seeking to exclude portions of the other party's expert testimony and to preclude the other party from introducing certain other evidence at trial. RTI's appeal of the appellate court's patent ruling to the U.S. Supreme Court adds further uncertainty to the possible future outcomes of RTI's antitrust and false advertising claims. In the event that RTI ultimately succeeds at trial and subsequent appeals on its antitrust and false advertising claims, any potential loss could be material as RTI is seeking to recover substantial damages including disgorgement of profits and damages under the federal antitrust laws, which are trebled. BD believes RTI's allegations are without merit.

On October 19, 2009, Gen-Probe Incorporated ( Gen-Probe ) filed a patent infringement action against BD in the U.S. District Court for the Southern District of California. The complaint alleges that the BD Viper and BD Viper XTR systems and BD ProbeTec specimen collection products infringe certain U.S. patents of Gen-Probe. On March 23, 2010, Gen-Probe filed a complaint, also in the U.S. District Court for the Southern District of California, alleging that the BD Max™ instrument infringes Gen-Probe patents. The patents alleged to be infringed are a subset of the Gen-Probe patents asserted against the Company in the October 2009 suit. On June 8, 2010, the court consolidated these cases. Gen-Probe is seeking monetary damages and injunctive relief. The Company currently cannot estimate the range of reasonably possible losses for this matter as the proceedings are in relatively early stages and there are significant issues to be resolved, as, among other things, numerous summary judgment motions that present issues that could significantly impact the case have been filed and are still pending before the court. In addition, each party is expected to file motions seeking to exclude portions of the other party's expert testimony and to preclude the other party from introducing certain other evidence at trial.

The Company believes that it has meritorious defenses to each of the above-mentioned suits pending against the Company and is engaged in a vigorous defense of each of these matters.

The Company is also involved both as a plaintiff and a defendant in other legal proceedings and claims that arise in the ordinary course of business.

The Company is a party to a number of Federal proceedings in the United States brought under the Comprehensive Environment Response, Compensation and Liability Act, also known as Superfund, and similar state laws. The affected sites are in varying stages of development. In some instances, the remedy has been completed, while in others, environmental studies are commencing. For all sites, there are other potentially responsible parties that may be jointly or severally liable to pay all cleanup costs.

**Table of Contents****Note 6 Segment Data**

The Company's organizational structure is based upon its three principal business segments: BD Medical ( Medical ), BD Diagnostics ( Diagnostics ) and BD Biosciences ( Biosciences ). These segments are strategic businesses that are managed separately because each one develops, manufactures and markets distinct products and services. The Company evaluates performance of its business segments and allocates resources to them primarily based upon operating income. Segment operating income represents revenues reduced by product costs and operating expenses. From time to time, the Company hedges against certain forecasted sales of U.S.-produced products sold outside the United States. Gains and losses associated with these foreign currency translation hedges are reported in segment revenues based upon their proportionate share of these international sales of U.S.-produced products. Financial information for the Company's segments was as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2012	2011	2012	2011
<b>Revenues (A)</b>				
Medical	\$ 1,070,076	\$ 1,044,836	\$ 3,041,660	\$ 2,952,713
Diagnostics	642,250	631,359	1,893,012	1,838,429
Biosciences	268,204	275,694	806,539	804,714
	\$ 1,980,530	\$ 1,951,889	\$ 5,741,211	\$ 5,595,856
<b>Segment Operating Income</b>				
Medical	\$ 323,868	\$ 324,170	\$ 862,856	\$ 887,080
Diagnostics	173,535	164,293	496,950	481,322
Biosciences	67,157	64,472	199,582	202,403
Total Segment Operating Income	564,560	552,935	1,559,388	1,570,805
Unallocated Items (B)	(146,019)	(117,765)	(448,879)	(346,792)
Income from Continuing Operations Before Income Taxes	\$ 418,541	\$ 435,170	\$ 1,110,509	\$ 1,224,013

(A) Intersegment revenues are not material.

(B) Includes primarily interest, net; foreign exchange; corporate expenses; and share-based compensation expense.



**Table of Contents**

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2012	2011	2012	2011
<b>Revenues by Organizational Units</b>				
<b>BD Medical</b>				
Medical Surgical Systems	\$ 531,771	\$ 529,018	\$ 1,573,020	\$ 1,546,334
Diabetes Care	232,675	220,184	677,839	641,826
Pharmaceutical Systems	305,630	295,634	790,801	764,553
	\$ 1,070,076	\$ 1,044,836	\$ 3,041,660	\$ 2,952,713
<b>BD Diagnostics</b>				
Preanalytical Systems	\$ 333,454	\$ 330,326	\$ 973,389	\$ 949,194
Diagnostic Systems	308,796	301,033	919,623	889,235
	\$ 642,250	\$ 631,359	\$ 1,893,012	\$ 1,838,429
<b>BD Biosciences</b>				
Cell Analysis (1)	\$ 268,204	\$ 275,694	\$ 806,539	\$ 804,714
	\$ 268,204	\$ 275,694	\$ 806,539	\$ 804,714
	\$ 1,980,530	\$ 1,951,889	\$ 5,741,211	\$ 5,595,856

(1) Cell Analysis consists of the Cell Analysis unit and the Advanced Bioprocessing platform. Revenues by geographic areas were as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2012	2011	2012	2011
<b>Total Revenues</b>				
United States	\$ 836,535	\$ 827,445	\$ 2,463,858	\$ 2,433,109
International	1,143,995	1,124,444	3,277,353	3,162,747
	\$ 1,980,530	\$ 1,951,889	\$ 5,741,211	\$ 5,595,856

**Table of Contents****Note 7 Share-Based Compensation**

The Company grants share-based awards under the 2004 Employee and Director Equity-Based Compensation Plan, which provides long-term incentive compensation to employees and directors. The Company believes that such awards align the interests of its employees and directors with those of its shareholders.

The fair value of share-based payments is recognized as compensation expense in net income. For the three months ended June 30, 2012 and 2011, compensation expense charged to income was \$18,063 and \$18,482, respectively. For the nine months ended June 30, 2012 and 2011, compensation expense was \$71,689 and \$72,202, respectively. Share-based compensation attributable to discontinued operations was not material.

The amount of unrecognized compensation expense for all non-vested share-based awards as of June 30, 2012 was approximately \$113,317, which is expected to be recognized over a weighted-average remaining life of approximately 2.1 years.

The fair values of stock appreciation rights granted during the annual share-based grants in November of 2011 and 2010, respectively, were estimated on the date of grant using a lattice-based binomial valuation model based on the following assumptions:

	2012	2011
Risk-free interest rate	1.67%	2.40%
Expected volatility	22.00%	24.00%
Expected dividend yield	2.50%	2.14%
Expected life	7.9 years	7.8 years
Fair value derived	\$ 12.61	\$ 16.80

**Note 8 Benefit Plans**

The Company has defined benefit pension plans covering substantially all of its employees in the United States and certain foreign locations. The Company also provides certain postretirement healthcare and life insurance benefits to qualifying domestic retirees. Other postretirement benefit plans in foreign countries are not material. The measurement date used for the Company's employee benefit plans is September 30.

On November 30, 2011, the Company remeasured its U.S. defined pension plan as a result of amendments to this plan that were approved and communicated to affected employees during the first quarter of fiscal year 2012. Effective January 1, 2013, all plan participants' benefits in the defined benefit traditional pension plan will be converted to a defined benefit cash balance pension plan. The November 30, 2011 remeasurement was based upon a discount rate of 5.1%, compared with the discount rate of 4.9% used on the September 30, 2011 measurement date. The increase in the discount rate will reduce total fiscal year 2012 net pension cost by \$5,300. An increase in plan assets held as of November 30, 2011 compared with assets held as of September 30, 2011 also will reduce total fiscal year 2012 net pension cost by \$6,200. The total reduction in fiscal year 2012 net pension cost resulting from the remeasurement will be \$40,200.

**Table of Contents**

Net pension and postretirement cost included the following components for the three months ended June 30:

	Pension Plans		Other Postretirement Benefits	
	2012	2011	2012	2011
Service cost	\$ 17,295	\$ 23,114	\$ 1,287	\$ 1,463
Interest cost	21,020	23,470	2,405	3,289
Expected return on plan assets	(23,862)	(25,790)		
Amortization of prior service credit	(2,531)	(272)	(173)	(171)
Amortization of loss	12,917	14,007	1,041	1,117
Net pension and postretirement cost	\$ 24,839	\$ 34,529	\$ 4,560	\$ 5,698

Net pension and postretirement cost included the following components for the nine months ended June 30:

	Pension Plans		Other Postretirement Benefits	
	2012	2011	2012	2011
Service cost	\$ 58,047	\$ 68,767	\$ 4,232	\$ 4,381
Interest cost	70,549	69,828	8,840	9,856
Expected return on plan assets	(80,086)	(76,731)		
Amortization of prior service credit	(8,495)	(810)	(518)	(515)
Amortization of loss	43,347	41,674	3,366	3,349
Curtailment/settlement loss		1,083		
Net pension and postretirement cost	\$ 83,362	\$ 103,811	\$ 15,920	\$ 17,071

Postemployment benefit costs for the three months ended June 30, 2012 and 2011 were \$8,995 and \$6,794, respectively. For the nine months ended June 30, 2012 and 2011, postemployment benefit costs were \$26,985 and \$20,381, respectively.

**Note 9 Acquisitions**

On February 9, 2012, the Company acquired a 100% interest in Kiestra Lab Automation BV ( Kiestra ), a Netherlands-based company that manufactures and sells innovative lab automation solutions for the microbiology lab. The fair value of consideration transferred was \$59,457 which consisted of \$50,891 in cash, net of \$5,176 in cash acquired, as well as \$8,566 in contingent consideration that will be paid based upon the achievement of certain development milestones and performance targets. The fair value of the contingent consideration was estimated using a probability-weighted discounted cash flow model that was based upon the probabilities assigned to the contingent events. This acquisition is intended to complement the Company's existing portfolio of microbiology platforms, reagents and supplies and allow the Company to offer innovative full lab automation solutions to hospitals and laboratories worldwide.

**Table of Contents**

The acquisition was accounted for under the acquisition method of accounting for business combinations and Kiestra's results of operations were included in the Diagnostic segment's results from the acquisition date. Pro forma information is not provided as the acquisition did not have a material effect on the Company's consolidated results. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date. These fair values are based upon the information available as of June 30, 2012 and may be adjusted should further information regarding events or circumstances existing at the acquisition date become available.

Core and developed technology	\$ 12,581
Acquired in-process research and development	7,416
Other intangibles	4,767
Property, plant and equipment	5,373
Other	10,348
Total identifiable assets acquired	40,485
Deferred tax liabilities	(6,191)
Other	(8,357)
Total liabilities assumed	(14,548)
Net identifiable assets acquired	25,937
Goodwill	33,520
Net assets acquired	\$ 59,457

The core and developed technology asset of \$12,581 represents Kiestra's developed lab automation solutions. The technology's fair value was determined based on the present value of projected cash flows utilizing an income approach which reflected a risk-adjusted discount rate of 14.5%. The technology will be amortized over an expected useful life of 10 years, the period over which the technology is expected to generate substantial cash flows.

The acquired in-process research and development asset of \$7,416 represents development projects of the existing lab automation technology for use in diagnostic applications. The probability of success associated with the projects, based upon the applicable technological and commercial risk, was assumed to be 100%. The projects' fair value was determined based on the present value of projected cash flows utilizing an income approach and a risk-adjusted discount rate of 15.5%.

The \$33,520 of goodwill was allocated to the Diagnostics segment. Goodwill typically results through expected synergies from combining operations of an acquiree and an acquirer as well as from intangible assets that do not qualify for separate recognition. The goodwill recognized as a result of this acquisition includes, among other things, the value of integrating the Company's broad clinical microbiology portfolio through automation for maximum workflow efficiency. Synergies are expected to result from the alignment of Kiestra's automated instrumentation technologies with the Company's existing portfolio of microbiology platforms, reagents and supplies. Additionally, synergies are expected to result from expanding the market for full lab automation solutions into new geographic regions through the Company's broader global sales

**Table of Contents**

organization and customer relationships. No portion of this goodwill will be deductible for tax purposes. The Company recognized \$2,500 of acquisition-related costs that were expensed in the current year-to-date period and reported in the Consolidated Statements of Income as *Selling and administrative*.

**Note 10 Divestitures**

On April 10, 2012, the Company signed a definitive agreement to sell its BD Biosciences Discovery Labware unit, excluding its Advanced Bioprocessing platform. Gross cash proceeds from the sale are expected to be approximately \$730,000, subject to post-closing adjustments for inventory balances. The transaction is expected to be completed by the end of the calendar year 2012, subject to the satisfaction of customary closing conditions, including consultations and regulatory approvals. The Company expects to record a gain on the sale when the transaction is completed.

Assets held for sale associated with the Discovery Labware disposal group included the following at June 30, 2012:

Inventory	\$ 47,074
Other current assets	1,263
Property, plant and equipment, net	74,477
Other intangibles, net	8,777
<b>Assets held for sale</b>	<b>\$ 131,591</b>

In the fourth quarter of fiscal year 2010, the Company sold the Ophthalmic Systems unit and the surgical blades, critical care and extended dwell catheter product platforms for \$270,000. The Company recognized a pre-tax gain on sale from all of these divestitures of \$146,478.

**Table of Contents**

The results of operations associated with the Discovery Labware disposal group, Ophthalmic Systems unit, surgical blade platform and critical care platform are reported as discontinued operations for all periods presented in the accompanying Consolidated Statements of Income and Cash Flows and related disclosures. The Company agreed to perform contract manufacturing for a defined period after the sale of the extended dwell catheter product platform. The conditions for reporting the results of this platform in discontinued operations were not met and as such, the associated results of operations were reported within continuing operations and \$18,197 of the gain on sale from the 2010 divestitures was recognized in *Other income (expense)*.

Results of discontinued operations, which were primarily associated with the Discovery Labware disposal group, were as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2012	2011	2012	2011
Revenues	\$ 60,265	\$ 62,309	\$ 178,118	\$ 185,377
Income from discontinued operations before income taxes	22,573	30,530	67,793	81,517
Less income tax provision	7,288	9,012	22,158	26,338
Income from discontinued operations, net	\$ 15,285	\$ 21,518	\$ 45,635	\$ 55,179

**Note 11 Intangible Assets**

Intangible assets consisted of:

	June 30, 2012		September 30, 2011	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets				
Core and developed technology	\$ 674,981	\$ 319,616	\$ 685,191	\$ 304,292
Product rights	148,037	8,635	152,140	1,268
Patents, trademarks, and other	311,723	233,650	309,337	230,542
	\$ 1,134,741	\$ 561,901	\$ 1,146,668	\$ 536,102
Unamortized intangible assets				
Acquired in-process research and development	\$ 192,292		\$ 185,300	
Trademarks	2,668		2,669	
	\$ 194,960		\$ 187,969	

Intangible amortization expense for the three months ended June 30, 2012 and 2011 was \$17,580 and \$14,256, respectively. Intangible amortization expense for the nine months ended June 30, 2012 and 2011 was \$50,237 and \$37,973, respectively.

## **Table of Contents**

### **Note 12 Derivative Instruments and Hedging Activities**

The Company uses derivative instruments to mitigate certain exposures. The effects these derivative instruments and hedged items have on financial position, financial performance, and cash flows are provided below.

#### *Foreign Currency Risks and Related Strategies*

The Company has foreign currency exposures throughout Europe, Asia Pacific, Canada, Japan and Latin America. Transactional currency exposures that arise from entering into transactions, generally on an intercompany basis, in non-hyperinflationary countries that are denominated in currencies other than the functional currency are mitigated primarily through the use of forward contracts and currency options. Hedges of the transactional foreign exchange exposures resulting primarily from intercompany payables and receivables are undesignated hedges. As such, the gains or losses on these instruments are recognized immediately in income. The offset of these gains or losses against the gains and losses on the underlying hedged items, as well as the hedging costs associated with the derivative instruments, is recognized in *Other income (expense)*.

The total notional amounts of the Company's outstanding foreign exchange contracts as of June 30, 2012 and September 30, 2011 were \$1,638,868 and \$2,209,780, respectively.

From time to time, the Company may partially hedge forecasted export sales denominated in foreign currencies using forward and option contracts, generally with one-year terms. The Company's hedging program has been designed to mitigate exposures resulting from movements of the U.S. dollar, from the beginning of a reporting period, against other foreign currencies. The Company's strategy is to offset the changes in the present value of future foreign currency revenue resulting from these movements with either gains or losses in the fair value of foreign currency derivative contracts. The Company did not enter into contracts to hedge cash flows for fiscal year 2011 and as of June 30, 2012, the Company has not entered into such contracts to hedge cash flows for fiscal years 2012 or 2013.

#### *Interest Rate Risks and Related Strategies*

The Company's primary interest rate exposure results from changes in U.S. dollar interest rates. The Company's policy is to manage interest cost using a mix of fixed and variable rate debt. The Company periodically uses interest rate swaps to manage such exposures. Under these interest rate swaps, the Company exchanges, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated as either fair value or cash flow hedges.

For interest rate swaps designated as fair value hedges (i.e., hedges against the exposure to changes in the fair value of an asset or a liability or an identified portion thereof that is attributable to a particular risk), changes in the fair value of the interest rate swaps offset changes in the fair value of the fixed rate debt due to changes in market interest rates.

Changes in the fair value of the interest rate swaps designated as cash flow hedges (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk)

## **Table of Contents**

are offset by amounts recorded in *Other comprehensive income (loss)*. If interest rate derivatives designated as cash flow hedges are terminated, the balance in *Accumulated other comprehensive income (loss)* attributable to those derivatives is reclassified into earnings over the remaining life of the hedged debt. The amount, related to terminated interest rate swaps, expected to be reclassified and recorded in *Interest expense* within the next 12 months is \$5,335, net of tax.

The total notional amounts of the Company's outstanding interest rate swaps designated as fair value hedges were \$200,000 at both June 30, 2012 and September 30, 2011. The outstanding swap represents a fixed-to-floating rate swap agreement that was entered into to convert the interest payments on \$200,000 in 4.55% notes, due April 15, 2013, from the fixed rate to a floating interest rate based on LIBOR.

The Company had no outstanding interest rate swaps designated as cash flow hedges as of June 30, 2012. The total notional amount of the Company's outstanding interest rate swaps designated as cash flow hedges as of September 30, 2011 was \$900,000 and included forward starting fixed-to-floating rate swap agreements under which the Company agreed to pay a fixed interest rate and receive a floating interest rate based on LIBOR, subject to mandatory termination and cash settlement on the forward start date. These hedges were entered into during the fourth quarter of fiscal year 2011 in anticipation of issuing new long-term debt in the first quarter of fiscal year 2012. Their purpose was to partially hedge the risk of changes in interest payments attributable to changes in the benchmark interest rate (the U.S. Dollar LIBOR swap rate) against which the debt was issued. These swaps were terminated on November 3, 2011, concurrent with the issuance of the new long-term debt.

### *Other Risk Exposures*

The Company purchases resins, which are oil-based components used in the manufacture of certain products. Significant increases in world oil prices that lead to increases in resin purchase costs could impact future operating results. From time to time, the Company has managed price risks associated with these commodity purchases. The Company had no commodity forward contracts outstanding as of June 30, 2012 or September 30, 2011. In July 2012, the Company entered into cash-settled forward contracts to hedge approximately 16% of its expected global resin purchase volumes in fiscal year 2013. The total notional amount of these contracts is \$22,500.



**Table of Contents***Effects on Consolidated Balance Sheets*

The location and amounts of derivative instrument fair values in the consolidated balance sheet are segregated below between designated, qualifying hedging instruments and ones that are not designated for hedge accounting.

	June 30, 2012	September 30, 2011
Asset derivatives-designated for hedge accounting		
Interest rate swap	\$ 3,252	\$ 5,959
Asset derivatives-undesignated for hedge accounting		
Forward exchange contracts	\$ 5,733	\$ 37,198
Total asset derivatives (A)	\$ 8,985	\$ 43,157
Liability derivatives-designated for hedge accounting		
Interest rate swaps	\$	\$ 69,103
Liability derivatives-undesignated for hedge accounting		
Forward exchange contracts	\$ 15,693	\$ 39,589
Total liability derivatives (B)	\$ 15,693	\$ 108,692

(A) All asset derivatives are included in Prepaid expenses, deferred taxes and other.

(B) All liability derivatives are included in Accrued expenses.

**Table of Contents**Effects on Consolidated Statements of Income*Cash flow hedges*

The location and amount of gains and losses on designated derivative instruments recognized in the consolidated statement of income for the three months ended June 30 consisted of:

Derivatives Accounted for as

Designated Cash Flow Hedging Relationships	Gain (Loss) Recognized in OCI on Derivatives		Location of Gain (Loss) Reclassified from Accumulated OCI into Income	Gain (Loss) Reclassified from Accumulated OCI into Income	
	2012	2011		2012	2011
Interest rate swaps	\$ 1,313	\$ 249	Interest expense	\$ (2,118)	\$ (401)

The location and amount of gains and losses on designated derivative instruments recognized in the consolidated statement of income for the nine months ended June 30 consisted of:

Derivatives Accounted for as

Designated Cash Flow Hedging Relationships	Gain (Loss) Recognized in OCI on Derivatives		Location of Gain (Loss) Reclassified from Accumulated OCI into Income	Gain (Loss) Reclassified from Accumulated OCI into Income	
	2012	2011		2012	2011
Interest rate swaps	\$ 4,431	\$ 9,396	Interest expense	\$ (5,749)	\$ (1,254)

The Company's designated derivative instruments are perfectly effective. As such, there were no gains or losses, related to hedge ineffectiveness or amounts excluded from hedge effectiveness testing, recognized immediately in income for the three-month and nine-month periods ending June 30, 2012.

The gains recorded in *Other comprehensive income (loss)* for the three-month and nine-month periods ended June 30, 2012 included the amortization of amounts related to terminated hedges. The gain recorded in *Other comprehensive income (loss)* for the nine months ended June 30, 2012 also included the increase in the value of interest rate swaps entered into during the fourth quarter of fiscal year 2011 to partially hedge interest rate risk associated with the anticipated issuance of \$500,000 of 5-year 1.75% notes and \$1,000,000 of 10-year 3.125% notes in the first quarter of fiscal year 2012. These swaps were designated as hedges of the variability in interest payments attributable to changes in the benchmark interest rates against which the long-term debt was priced and they were terminated at a loss in November 2011, concurrent with the pricing of the notes.

The gain recognized in other comprehensive income for the nine months ended June 30, 2011 was attributable primarily to gains realized on interest rate swaps that were entered into in the first quarter of 2011 in anticipation of issuing \$700,000 of 10-year 3.25% notes and \$300,000 of 30-year 5.00% notes. These swaps were designated as hedges of the variability in interest payments attributable to changes in the benchmark interest rates against which the long-term debt was priced and they were terminated at a gain in November 2010, concurrent with the pricing of the notes.

The realized gains and losses on the swaps terminated in both November 2011 and 2010 will be amortized over the lives of the notes with an offset to interest expense.

**Table of Contents***Fair value hedge*

The location and amount of gains or losses on the hedged fixed rate debt attributable to changes in the market interest rates and the offsetting gain (loss) on the related interest rate swap were as follows:

Income Statement Classification	Gain/(Loss) on Swap				Gain/(Loss) on Borrowings			
	Three Months Ended		Nine Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		June 30,		June 30,	
	2012	2011	2012	2011	2012	2011	2012	2011
Other income (expense) (A)	\$ (975)	\$ 607	\$ (2,707)	\$ (2,164)	\$ 975	\$ (607)	\$ 2,707	\$ 2,164

(A) Changes in the fair value of the interest rate swap offset changes in the fair value of the fixed rate debt due to changes in market interest rates. There was no hedge ineffectiveness relating to this interest rate swap.

*Undesignated hedges*

The location and amount of gains and losses recognized in income on derivatives not designated for hedge accounting were as follows:

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives			
		Three Months Ended		Nine Months Ended	
		June 30,		June 30,	
		2012	2011	2012	2011
Forward exchange contracts (B)	Other income (expense)	\$ (19,319)	\$ (13,248)	\$ (13,280)	\$ (5,106)

(B) The gains and losses on forward contracts and currency options utilized to hedge the intercompany transactional foreign exchange exposures are largely offset by gains and losses on the underlying hedged items in *Other income (expense)*.

**Table of Contents****Note 13 Financial Instruments and Fair Value Measurements**

The fair values of financial instruments, including those not recognized on the statement of financial position at fair value, carried at June 30, 2012 and September 30, 2011 are classified in accordance with the fair value hierarchy in the tables below:

	June 30, 2012 Total	Basis of Fair Value Measurement		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Institutional money market investments	\$ 1,166,769	\$ 1,166,769	\$	\$
Forward exchange contracts	5,733		5,733	
Interest rate swap	3,252		3,252	
<b>Total Assets</b>	<b>\$ 1,175,754</b>	<b>\$ 1,166,769</b>	<b>\$ 8,985</b>	<b>\$</b>
<b>Liabilities</b>				
Forward exchange contracts	\$ 15,693	\$	\$ 15,693	\$
Contingent consideration liability	8,077			8,077
<b>Total Liabilities</b>	<b>\$ 23,770</b>	<b>\$</b>	<b>\$ 15,693</b>	<b>\$ 8,077</b>

	September 30, 2011 Total	Basis of Fair Value Measurement		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Institutional money market investments	\$ 590,515	\$ 590,515	\$	\$
Forward exchange contracts	37,198		37,198	
Interest rate swap	5,959		5,959	
<b>Total Assets</b>	<b>\$ 633,672</b>	<b>\$ 590,515</b>	<b>\$ 43,157</b>	<b>\$</b>
<b>Liabilities</b>				
Forward exchange contracts	\$ 39,589	\$	\$ 39,589	\$
Interest rate swaps	69,103		69,103	
<b>Total Liabilities</b>	<b>\$ 108,692</b>	<b>\$</b>	<b>\$ 108,692</b>	<b>\$</b>

The Company's institutional money market accounts permit daily redemption and the fair values of these investments are based upon the quoted prices in active markets provided by the holding financial institutions. The Company's remaining cash equivalents were \$491,950 and \$584,767 at June 30, 2012 and September 30, 2011, respectively. Short-term investments are held to their maturities and are carried at cost, which approximates fair value. The cash equivalents consist of liquid investments with a maturity of three months or less and the short-term investments consist of instruments with maturities greater than three months and less than one year.

The Company measures the fair value of forward exchange contracts and currency options using an income approach with significant observable inputs, specifically spot currency rates, market designated forward currency prices and a discount rate. The fair value of interest rate swaps is

provided by the financial institutions that are counterparties to these arrangements.

**Table of Contents**

Long-term debt is recorded at amortized cost. The fair value of long-term debt is measured based upon quoted prices in active markets for similar instruments, which are considered Level 2 inputs in the fair value hierarchy. The fair value of long-term debt was \$4,222,308 and \$2,839,697 at June 30, 2012 and September 30, 2011, respectively. The fair value of \$200,000 of 4.55% notes due on April 15, 2013, that were reclassified from long-term debt to short-term debt during the third quarter of fiscal year 2012, was \$206,374 at June 30, 2012.

The contingent consideration liability was recognized as part of the consideration transferred in the Company's acquisition of Kiestra, which occurred in the second quarter of fiscal year 2012. The fair value of the contingent consideration liability was estimated using a probability-weighted discounted cash flow model that was based upon the probabilities assigned to the contingent events. The estimated fair value of the contingent consideration liability is remeasured at each reporting period based upon increases or decreases in the probability of the contingent payments. The change to the contingent liability as of June 30, 2012 since the acquisition date is primarily attributable to foreign currency translation. Additional disclosures regarding the contingent consideration liability are included in Note 9.

The Company's policy is to recognize any transfers into fair value measurement hierarchy levels and transfers out of levels at the beginning of each reporting period. There were no transfers in and out of Level 1, Level 2 or Level 3 measurements for the three months and nine months ended June 30, 2012.

**Note 14 Subsequent Events**

On June 29, 2012, the Company entered into a definitive agreement to acquire Safety Syringes, Inc., a privately held California-based company that specializes in the development of anti-needlestick devices for prefilled syringes. The acquisition, which is subject to the satisfaction of customary closing conditions, including regulatory approvals, is expected to close by the end of the Company's fiscal year 2012.

---

**Table of Contents**

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Company Overview

Becton, Dickinson and Company ( BD ) is a global medical technology company engaged principally in the development, manufacture and sale of medical devices, instrument systems and reagents used by healthcare institutions, life science researchers, clinical laboratories, the pharmaceutical industry and the general public. Our business consists of three worldwide business segments BD Medical ( Medical ), BD Diagnostics ( Diagnostics ) and BD Biosciences ( Biosciences ). Our products are marketed in the United States and internationally through independent distribution channels and directly to end-users by BD and independent sales representatives.

Overview of Financial Results and Financial Condition

Third quarter revenues of \$1.981 billion represented an increase of 1.5% from the same period a year ago, and reflected volume increases of approximately 5.6%, partially offset by price decreases of approximately 0.7% and unfavorable foreign currency translation of approximately 3.4%. Solid growth from our Medical and Diagnostics segments was primarily driven by new product launches and growth from recent acquisitions. We continued to experience weaker sales in the U.S. due to an uncertain research spending environment and constrained demand affecting our Biosciences segment and also due to a challenging competitive environment affecting our GeneOhm™ healthcare-associated infection ( HAI ) platform in the Diagnostic Systems unit. International revenues reflected continued strength in emerging market sales and strong sales of safety-engineered products. Sales in the United States of safety-engineered devices in the third quarter of 2012 were \$285 million, representing a 1.5% increase from the prior year's period. International sales of safety-engineered devices of \$216 million in the third quarter of 2012 grew 8.8% over the prior year's period, including an estimated \$14 million, or 6.9%, unfavorable impact due to foreign currency translation. International safety-engineered device revenue growth continues to be driven by strong growth in the Medical segment, with the largest growth in emerging markets, including China and Latin America.

We continue to invest in research and development spending, geographic expansion, and new product promotions to drive further revenue and profit growth. Our ability to sustain our long-term growth will depend on a number of factors, including our ability to expand our core business (including geographical expansion), develop innovative new products across our business segments, and continue to improve operating efficiency and organizational effectiveness. The healthcare industry continues to face a challenging economic environment. The current economic conditions and other circumstances have resulted in pricing pressures for some of our products. As mentioned above, our Biosciences segment continues to be impacted by an uncertain research spending environment and lack of overall demand for instruments and research reagents. In other areas of our U.S. business, healthcare utilization is stable but constrained. Additionally, uncertainty in Europe due to continued macroeconomic challenges has resulted in constrained healthcare utilization.

In addition to the economic conditions in the United States and elsewhere, numerous other factors can affect our ability to achieve these goals including, without limitation, increased competition and healthcare reform initiatives. For example, the U.S. healthcare reform law contains certain tax

## Table of Contents

provisions that will affect BD. The most significant impact is the medical device excise tax, which imposes a 2.3% tax on certain U.S. sales of medical devices, beginning in January 2013. Sales of BD products that we estimate to be subject to this tax represented about 80% of BD's total U.S. revenues in fiscal year 2011.

Our financial condition remains strong, with cash flows from continuing operating activities totaling \$1.136 billion in the first nine months of 2012. Cash outflows relating to acquisitions included the purchase of Kiestra Lab Automation BV (Kiestra), a Netherlands-based company that manufactures and sells innovative lab automation solutions for the microbiology lab, for \$51 million, net of cash acquired. In November 2011, we issued \$500 million of 5-year 1.75% notes and \$1 billion of 10-year 3.125% notes, as discussed further below. Also, we continued to return value to our shareholders as we repurchased \$1.25 billion of our common stock and paid cash dividends of \$280 million in the first nine months of 2012.

In April 2012, we signed a definitive agreement to sell Biosciences' Discovery Labware unit, excluding its Advanced Bioprocessing platform. Gross cash proceeds from the sale are expected to be approximately \$730 million, subject to post-closing adjustments for inventory balances. The transaction is expected to be completed by the end of the calendar year 2012, subject to the satisfaction of customary closing conditions, including consultations and regulatory approvals. The results of operations associated with this disposal group have been reclassified as discontinued operations for all periods presented in the accompanying Condensed Consolidated Financial Statements of Income and Cash Flows and related disclosures. See Note 10 in the Notes to Condensed Consolidated Financial Statements for additional discussion. For the full fiscal year 2012, revenues and diluted earnings per share associated with the affected asset group are forecasted at about \$237 million and \$0.29, respectively. We expect to record a gain on the sale when the transaction is completed.

We face currency exposure each reporting period that arises from translating the results of our worldwide operations to the U.S. dollar at exchange rates that fluctuate from the beginning of such period. We evaluate our results of operations on both an as reported and a foreign currency-neutral basis, which excludes the impact of fluctuations in foreign currency exchange rates. We calculate foreign currency-neutral percentages by converting our current-period local currency financial results using the prior-period foreign currency exchange rates and comparing these adjusted amounts to our current-period reported results. From time to time, we may purchase forward contracts and options to partially protect against adverse foreign exchange rate movements. Gains or losses on our derivative instruments are largely offset by the gains or losses on the underlying hedged transactions. We do not enter into derivative instruments for trading or speculative purposes. As of June 30, 2012, we had not entered into contracts to hedge cash flows in fiscal year 2012.

## Results of Operations

### Revenues

Refer to Note 6 in the Notes to Condensed Consolidated Financial Statements for segment financial data.



**Table of Contents***Medical Segment*

Third quarter revenues of \$1.070 billion represented an increase of 2.4% compared with the prior year's quarter, including an estimated \$42 million, or approximately 4.0%, unfavorable impact due to foreign currency translation.

The following is a summary of third quarter Medical revenues by organizational unit:

(millions of dollars)	Three months ended June 30,			Estimated
	2012	2011	Total Change	Foreign Exchange Impact
Medical Surgical Systems	\$ 532	\$ 529	0.5%	(3.3)%
Diabetes Care	233	220	5.7%	(3.4)%
Pharmaceutical Systems	306	296	3.4%	(5.5)%
Total Revenues*	\$ 1,070	\$ 1,045	2.4%	(4.0)%

\* Amounts may not add due to rounding

Medical segment revenue growth was driven by solid growth in all units. Diabetes Care revenue growth reflected continued strong sales of pen needles, including sales of the BD Ultra-Fine Nano. Diabetes Care revenue growth also reflected the favorable timing of certain orders. Medical Surgical Systems revenue reflected solid growth of safety-engineered product sales and growth from sales of the BD PhaSeal product resulting from the Carmel Pharma, AB (Carmel) acquisition that occurred in the fourth quarter of fiscal year 2011. Pharmaceutical Systems revenue growth reflected the favorable timing of certain orders. Global sales of safety-engineered products were \$240 million, compared with \$223 million in the prior year's quarter and included an estimated \$5 million unfavorable impact due to foreign currency translation. Total Medical revenues for the nine-month period ended June 30, 2012 increased by 3.0% from the prior-year nine-month period, including an estimated 1.8% unfavorable impact from foreign currency translation. For the nine-month period ended June 30, 2012, global sales of safety-engineered products were \$716 million, compared with \$642 million in the prior year's period, and included an estimated \$5 million unfavorable impact due to foreign currency translation.

Medical operating income for the third quarter was \$324 million, or 30.3% of Medical revenues, compared with \$324 million, or 31.0% of segment revenues, in the prior year's quarter. Gross profit margin was lower in the current quarter than the third quarter of 2011 due to amortization of intangibles associated with the Carmel acquisition and unfavorable pricing impacts on certain product lines. These unfavorable impacts on gross profit margin were partially offset by favorable foreign currency translation and lower manufacturing costs from Project ReLoCo, a global, cross-functional business initiative to drive sustained low-cost capability primarily benefitting Medical Surgical Systems. See further discussion on gross profit margin below. Selling and administrative expense as a percentage of Medical revenues in the third quarter of 2012 was lower than in the third quarter of 2011, primarily due to spending controls, partially offset by increased spending for expansion in emerging markets and higher expenses resulting from the Carmel acquisition as compared with the prior year's period. Research and development expenses for the quarter increased \$4 million, or 12%, above the prior year's period. Segment operating income for the nine-month period was \$863 million, or 28.4% of Medical revenues, compared with \$887 million, or 30.0% in the prior year's period.

**Table of Contents***Diagnostics Segment*

Third quarter revenues of \$642 million represented an increase of 1.7% over the prior year's quarter, including an estimated \$19 million, or approximately 3.0%, unfavorable impact due to foreign currency translation.

The following is a summary of third quarter Diagnostics revenues by organizational unit:

(millions of dollars)	Three months ended June 30,			Estimated
	2012	2011	Total Change	Foreign Exchange Impact
Preanalytical Systems	\$ 333	\$ 330	0.9%	(3.3)%
Diagnostic Systems	309	301	2.6%	(2.5)%
<b>Total Revenues</b>	<b>\$ 642</b>	<b>\$ 631</b>	<b>1.7%</b>	<b>(3.0)%</b>

Diagnostics segment revenue growth was primarily driven by sales of Preanalytical Systems safety-engineered products and continued strength in our Women's Health and Cancer platform sales within the Diagnostic Systems unit. Global sales of safety-engineered products in the Preanalytical Systems unit totaled \$261 million, compared with \$256 million in the prior year's quarter, and included an estimated \$8 million unfavorable impact due to foreign currency translation. Total Diagnostics revenues for the nine-month period ended June 30, 2012 increased by 3.0% from the prior-year nine-month period, including an estimated 1.3% unfavorable impact from foreign currency translation. For the nine-month period ended June 30, 2012, global sales of safety-engineered products in the Preanalytical Systems unit were \$761 million, compared with \$732 million in the prior year's period, and included an estimated \$12 million unfavorable impact due to foreign currency translation.

Diagnostics operating income for the third quarter was \$174 million, or 27.0% of Diagnostics revenues, compared with \$164 million, or 26.0% of segment revenues, in the prior year's quarter. Gross profit margin was higher in the current quarter than in the prior year's quarter due to the impact of increased sales of products with relatively higher gross margins. This favorable impact on gross profit margin was partially offset by unfavorable pricing impacts on certain product lines and unfavorable foreign currency translation. See further discussion on gross profit margin below. Selling and administrative expense as a percentage of Diagnostics revenues in the third quarter of 2012 was slightly lower than in the third quarter of 2011 primarily due to favorable foreign currency translation, partially offset by increased spending for expansion in emerging markets, spending for new product launches and higher expenses resulting from the KIESTRA acquisition. Research and development expenses in the third quarter of 2012 were flat compared with the prior year's period. Diagnostics research and development spending for the total fiscal year 2012 is expected to be slightly below, as a percentage of revenues, the spending in total fiscal year 2011. Segment operating income for the nine-month period was \$497 million, or 26.3% of Diagnostics revenues, compared with \$481 million, or 26.2% in the prior year's period.

**Table of Contents***Biosciences Segment*

Third quarter revenues of \$268 million represented a decrease of 2.7% from the prior year's quarter, including an estimated \$8 million, or 2.9%, unfavorable impact due to foreign currency translation.

The following is a summary of third quarter Biosciences revenues by organizational unit:

(millions of dollars)	Three months ended June 30,			
	2012	2011	Total Change	Estimated Foreign Exchange Impact
Cell Analysis <sup>(1)</sup>	\$ 268	\$ 276	(2.7)%	(2.9)%

(1) Cell Analysis consists of the Cell Analysis unit and the Advanced Bioprocessing platform.

Biosciences segment results in the current year's quarter continued to be negatively affected by reduced research funding in the U.S. and the resulting constrained demand for high-end instruments. Biosciences segment revenues were also unfavorably impacted by increased competition within the market for research reagents. For the nine-month period ended June 30, 2012, total Biosciences revenues increased by 0.2% from the prior-year nine-month period, including an estimated 1.1% unfavorable impact from foreign currency translation.

Biosciences operating income for the third quarter was \$67 million, or 25.0% of Biosciences revenues, compared with \$64 million, or 23.4% of segment revenues, in the prior year's quarter. Gross profit margin was lower in the current quarter than the first quarter of 2011 primarily due to amortization of capitalized software and intangibles associated with the Accuri Cytometers, Inc. ( Accuri ) acquisition that occurred in the second fiscal quarter of 2011. These unfavorable impacts to gross profit margin for the third quarter were partially offset by favorable foreign currency translation. See further discussion on gross profit margin below. Selling and administrative expense as a percent of Biosciences revenues for the quarter was lower compared with the prior year's quarter primarily due to favorable foreign currency translation. This favorable impact was partially offset by increased spending for expansion in emerging markets and the effect of marginal revenue growth in the current year's period as compared with the prior year's period. Research and development expenses in the quarter decreased \$2 million, or 8%, compared the prior year's period. Segment operating income for the nine-month period was \$200 million, or 24.7% of Biosciences revenues, compared with \$202 million, or 25.2% in the prior year's period.

*Geographic Revenues*

Revenues in the United States for the third quarter of \$837 million represented an increase of \$9 million, or 1.1%, over the prior year's quarter. Growth in U.S. Medical revenues reflected strong sales of Pharmaceutical Systems and Diabetes Care products, which were partially offset by pricing pressures for certain Medical Surgical Systems products. U.S. Diagnostics revenue growth was driven by solid sales of Preanalytical Systems safety-engineered products. Diagnostic Systems revenue growth in the U.S. was unfavorably affected by an increasingly competitive market for microbiology products. U.S. Diagnostic Systems revenue growth also

## Table of Contents

reflected weak sales from our GeneOhm HAI platform due to a challenging competitive environment. Biosciences revenue in the U.S. declined in the current year's quarter compared with the prior year's quarter due to reduced research funding as well as a challenging competitive market for reagents. We also continue to experience constrained demand for high-end instruments due to continued funding concerns in the pharmaceutical and biotech research markets as well as in the academic markets.

International revenues for the third quarter of \$1.144 billion represented an increase of \$20 million, or 1.7%, over the prior year's quarter, including an estimated \$69 million, or 6.1%, unfavorable impact due to foreign currency translation. International revenues for the third quarter of 2012 reflected growth from all segments, including growth attributable to emerging markets, as well as strong sales of safety-engineered products. Biosciences international revenue growth reflected an unfavorable comparison to the prior-year period which included sales in Japan that had been delayed until the third quarter of fiscal year 2011 due to the earthquake and tsunami earlier in the year.

## Gross Profit Margin

Gross profit margin was 52.2% for the third quarter, compared with 52.7% for the comparable prior-year period. The decrease in gross profit margin reflected the estimated net unfavorable impact of 70 basis points relating to operating performance and an estimated 20 basis points relating to favorable foreign currency translation. Operating performance was adversely affected by an estimated 70 basis points due to the unfavorable impact of decreased sales of products which have higher gross margins. Operating performance was also adversely impacted by approximately 30 basis points due to unfavorable pricing impacts on certain product lines, approximately 20 basis points due to Biosciences software amortization and approximately 40 basis points due to other unfavorable one-time impacts. The unfavorable impacts on operating performance for the current year's quarter were partially offset by an estimated 40 basis points due to lower manufacturing costs from continuous improvement projects, such as Project ReLoCo, lower manufacturing start-up costs, as well as lower pension costs resulting from a plan remeasurement as discussed in Note 8 in the Notes to Condensed Consolidated Financial Statements. Operating performance was also favorably impacted by approximately 50 basis points due to the second quarter 2012 change in useful lives of certain machinery and equipment assets used in production processes. See Note 2 in the Notes to Condensed Consolidated Financial Statements for additional discussion.

Gross profit margin in the nine-month period of 2012 was 51.4% compared with the prior-year period's gross profit margin of 52.6%. The decrease in gross profit margin reflected the estimated net unfavorable impact of 110 basis points relating to operating performance and an estimated 10 basis points relating to unfavorable foreign currency translation. Operating performance was adversely affected by an estimated 110 basis points due to amortization of intangibles associated with the fiscal year 2011 acquisitions, Biosciences software amortization and the impact of decreased sales of products which have higher gross margins. Operating performance also reflected the estimated impacts of 50 basis points due to unfavorable pricing impacts on certain product lines and 30 basis points due to increases in certain raw material costs. The unfavorable impacts on operating performance for the current year's nine-month period were partially offset by an estimated 60 basis points due to lower manufacturing costs from continuous improvement projects, such as Project ReLoCo, lower manufacturing start-up costs and lower pension costs. Operating performance was also favorably impacted by approximately 20 basis points due to the change in useful lives of certain machinery and equipment assets as noted above.

## Table of Contents

### Selling and Administrative Expense

Selling and administrative expense was 23.7% of revenues for the third quarter of fiscal year 2012, compared with 24.0% for the prior year's period. Aggregate expenses for the third quarter of 2012 reflected an increase in core spending of \$22 million, primarily relating to expansion of our business in emerging markets and higher expenses resulting from the Carmel and KIESTRA acquisitions. Aggregate expenses for the third quarter also included increased spending of \$7 million related to our global enterprise resource planning initiative to update our business information systems. These third quarter 2012 spending increases were partially offset by favorable foreign currency translation of \$14 million, lower pension costs of \$5 million and lower corporate legal fees of \$7 million. Aggregate expenses for the third quarter of 2012 also reflected a \$2 million decrease in the deferred compensation plan liability, as further discussed below.

Selling and administrative expense was 25.1% of revenues for the nine-month period of fiscal year 2012, compared with 24.0% for the prior year's period. Aggregate expenses for the nine-month period of 2012 reflected an increase in core spending of \$90 million, primarily relating to expansion of our business in emerging markets, transactions costs relating to the KIESTRA acquisition and higher expenses resulting from the Carmel and KIESTRA acquisitions. Aggregate expenses for the nine-month period also included \$14 million in higher corporate legal fees and increased spending of \$16 million related to our global enterprise resource planning initiative to update our business information systems. Additionally, aggregate expenses in the nine-month period included a \$1 million increase in the deferred compensation plan liability, as further discussed below. These increases were partially offset by favorable foreign currency translation of \$17 million and lower pension costs of \$9 million.

### Research and Development Expense

Research and development expense was \$115 million, or 5.8% of revenues, for the third quarter, compared with \$114 million, or 5.8% of revenues, in the prior year's period. Research and development expense was \$344 million, or 6.0% of revenues, for the nine-month period in the current year, compared with the prior year's amount of \$345 million, or 6.2% of revenues. Research and development spending for the total fiscal year 2012 is expected to be comparable, as a percentage of revenues, with the spending in total fiscal year 2011.

### Non-Operating Expense and Income

Interest income was \$6 million in the third quarter and \$38 million in the nine-month period of 2012, compared with \$12 million and \$41 million, respectively, in the prior year's periods. The decrease in the third quarter of 2012 compared with the prior year's period reflected the impact of lower investment levels and lower interest rates in certain non-U.S. locations, as well as investment losses on assets related to our deferred compensation plan. The decrease for the nine-month period is largely the result of lower investment levels and lower interest rates in certain non-U.S. locations, partially offset by year-to-date investment gains on assets related to our deferred compensation plan. The offsetting movements in the deferred compensation plan liability were recorded in selling and administrative expenses. Interest expense was \$35 million

---

**Table of Contents**

in the third quarter and \$99 million in the nine-month period of 2012, compared with \$22 million and \$62 million, respectively, in the prior year's periods. The increases reflect higher levels of long-term fixed-rate debt, partially offset by lower average interest rates on this debt.

**Income Taxes**

The income tax rate was 25.6% for the third quarter, compared with the prior year's rate of 26.1%. The nine-month tax rate was 24.8% compared with the prior year's rate of 25.2%. The income tax rate in the first nine months of 2012 reflected the favorable impact of various tax settlements in multiple jurisdictions. The income tax rate in the first nine months of 2011 reflected the favorable impact due to the timing of certain tax benefits resulting from the retroactive extension of the U.S. research tax credit and a European restructuring transaction.

**Income from Continuing Operations and Diluted Earnings Per Share from Continuing Operations**

Income from continuing operations and diluted earnings per share from continuing operations for the third quarter of 2012 were \$312 million and \$1.52, respectively. Income from continuing operations and diluted earnings per share from continuing operations for the prior year's third quarter were \$322 million and \$1.44, respectively. The current quarter's earnings reflected an estimated \$0.06 per share unfavorable impact due to foreign currency translation. For the nine-month periods, income from continuing operations and diluted earnings per share from continuing operations were \$835 million and \$3.95, respectively, in 2012 and \$916 million and \$4.02, respectively, in 2011. The current period's earnings reflected an estimated \$0.11 per share unfavorable impact due to foreign currency translation.

**Liquidity and Capital Resources**

Cash generated from operations, along with available cash and cash equivalents, is expected to be sufficient to fund our normal operating needs for the balance of 2012. Normal operating needs in fiscal year 2012 include working capital, capital expenditures, cash dividends and common stock repurchases. Net cash provided by continuing operating activities was \$1.136 billion during the first nine months of 2012, compared with \$1.118 billion in the same period in 2011. The current period change in operating assets and liabilities was a net use of cash and primarily reflected higher levels of inventory and lower levels of prepaid expenses, accounts payable and accrued expenses. Net cash provided by continuing operating activities in the first nine months of 2012 was reduced by changes in the pension obligation resulting primarily from discretionary cash contributions of approximately \$100 million.

Net cash used for continuing investing activities for the first nine months of the current year was \$644 million, compared with \$827 million in the prior-year period. Capital expenditures were \$313 million in the first nine months of 2012 and \$318 million in the same period in 2011. Acquisitions of businesses in the current period reflected the payment of \$51 million, net of cash acquired, relating to the Kiestra acquisition. For further discussion of this acquisition, refer to Note 9 in the Notes to Condensed Consolidated Financial Statements. Acquisitions of businesses in the prior-year period reflected the payment of \$205 million, net of cash acquired, relating to the Accuri acquisition. Cash used for purchases of investments in the first nine months of 2012 and 2011 reflected the extension of maturities of certain highly liquid investments beyond three months.

Net cash used for continuing financing activities for the first nine months of the current year

## Table of Contents

was \$56 million, compared with \$408 million in the prior-year period. The current period's net cash provided by continuing financing activities includes the proceeds from \$500 million of 5-year 1.75% notes and \$1 billion of 10-year 3.125% notes issued on November 3, 2011. The net proceeds from these issuances have been and are expected to be used for general corporate purposes, which may include funding for working capital, capital expenditures, repurchases of our common stock and acquisitions. The prior period's cash provided by continuing financing activities included the proceeds from \$700 million of 10-year 3.25% notes and \$300 million of 30-year 5.00% notes issued on November 8, 2010.

For the first nine months of the current year, we repurchased approximately 16.7 million shares of our common stock for \$1.25 billion, compared with approximately 15.6 million shares of our common stock for \$1.273 billion in the prior-year period. Aggregate common stock repurchases are estimated to be approximately \$1.5 billion for the full fiscal year 2012. A total of approximately 11.5 million common shares remain available for purchase at June 30, 2012 under the Board of Directors' July 2011 repurchase authorization.

As of June 30, 2012, total debt of \$4.2 billion represented 48.7% of total capital (shareholders' equity, net non-current deferred income tax liabilities, and debt), versus 35.8% at September 30, 2011. Short-term debt increased to 10% of total debt at the end of June 30, 2012, from 9% at September 30, 2011, and reflected the reclassification, from long-term debt to short-term debt, of \$200 million of 4.55% notes due on April 15, 2013.

We have in place a commercial paper borrowing program that is available to meet our short-term financing needs, including working capital requirements. Borrowings outstanding under this program were \$200 million at June 30, 2012. During the quarter, we established a \$1 billion syndicated credit facility with an expiration date of May 2017, replacing a \$1 billion facility due to expire in December 2012. This new credit facility, under which there were no borrowings outstanding at June 30, 2012, provides backup support for our commercial paper program and can also be used for other general corporate purposes. It includes a provision that enables BD, subject to additional commitments made by the lenders, to access up to an additional \$500 million in financing through the facility, for a maximum aggregate commitment of \$1.5 billion. The credit facility includes a single financial covenant that requires BD to maintain an interest expense coverage ratio (ratio of earnings before income taxes, depreciation and amortization to interest expense) of not less than 5-to-1 for the most recent four consecutive fiscal quarters. On the last eight measurement dates, this ratio has ranged from 14-to-1 to 27-to-1. In addition, we have informal lines of credit outside the United States.

## Cash and Short-Term Investments

At June 30, 2012, total worldwide cash and short-term investments were \$2.2 billion, of which \$1.8 billion was held in jurisdictions outside of the United States. We regularly review the amount of cash and short-term investments held outside the United States and currently intend to use most of such amounts to fund our international operations and their growth initiatives. To the extent amounts are moved out of these jurisdictions or repatriated to the United States, there could be tax consequences. Historically, we have repatriated a small portion of cash from certain jurisdictions to the United States, generally on an annual basis.

## Table of Contents

### Government Receivables

Accounts receivable balances include sales to government-owned or government-supported healthcare facilities. Because these customers are government-owned or supported, we could be impacted by declines in sovereign credit ratings or by defaults in these countries. We continually evaluate all government receivables, particularly in Spain, Italy and other parts of Western Europe, for potential collection risks associated with the availability of government funding and reimbursement practices.

In particular, we have experienced significant payment delays in Spain due to the government's liquidity issues that have affected its ability to process payments to suppliers. During the third fiscal quarter of 2012, the Company received payment for approximately \$63 million of its government-related accounts receivable balances in Spain. As of June 30, 2012, government-related accounts receivable balances in Spain were approximately \$32 million, net of reserves.

We believe the current reserves related to all government receivables are adequate and this concentration of credit risk is not expected to have a material adverse impact on our financial position or liquidity.

### Cautionary Statement Regarding Forward-Looking Statements

BD and its representatives may from time to time make certain forward-looking statements in publicly released materials, both written and oral, including statements contained in filings with the Securities and Exchange Commission, press releases, and our reports to shareholders. Forward-looking statements may be identified by the use of words such as plan, expect, believe, intend, will, anticipate, estimate and other words of similar meaning in conjunction with, among other things, discussions of future operations and financial performance, as well as our strategy for growth, product development, regulatory approvals, market position and expenditures. All statements that address operating performance or events or developments that we expect or anticipate will occur in the future including statements relating to volume growth, sales and earnings per share growth, cash flows or uses, and statements expressing views about future operating results are forward-looking statements.

Forward-looking statements are based on current expectations of future events. The forward-looking statements are, and will be, based on management's then-current views and assumptions regarding future events and operating performance, and speak only as of their dates. Investors should realize that if underlying assumptions prove inaccurate or unknown risks or uncertainties materialize, actual results could vary materially from our expectations and projections. Investors are therefore cautioned not to place undue reliance on any forward-looking statements. Furthermore, we undertake no obligation to update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events and developments or otherwise, except as required by applicable law or regulations.

The following are some important factors that could cause our actual results to differ from our expectations in any forward-looking statements. For further discussion of certain of these factors, see Item IA. Risk Factors in our 2011 Annual Report on Form 10-K.

The current conditions in the global economy and financial markets, and the potential adverse effect on the cost of operating our business, the demand for our products and services, prices for our products and services due to increases in pricing pressure, or our



**Table of Contents**

ability to produce our products, including the impact on developing countries. Also, the increase in sovereign debt during the financial crisis as a result of governmental intervention in the world economy poses additional risks to the global financial system and economic recovery. In particular, deficit reduction efforts or other adverse changes in the availability of government funding for healthcare and research, particularly in the U.S. and Europe, could further weaken demand for our products and result in additional pricing pressures, as well as create potential collection risks associated with such sales. In that regard, in the U.S., automatic spending cuts, or sequestration, that could affect government healthcare spending and research funding are set to go into effect January 2013 in the absence of further legislative action.

The consequences of the healthcare reform in the United States, which implemented an excise tax on U.S. sales of certain medical devices, and which could result in reduced demand for our products, increased pricing pressures or otherwise adversely affect BD's business.

Future healthcare reform in the countries in which we do business may also involve changes in government pricing and reimbursement policies or other cost containment reforms.

Changes in domestic and foreign healthcare industry practices that result in a reduction in procedures using our products or increased pricing pressures, including the continued consolidation among healthcare providers and trends toward managed care and healthcare cost containment (including changes in reimbursement practices by third party payors).

Our ability to penetrate developing and emerging markets, which depends on local economic and political conditions and how well we are able to acquire or form strategic business alliances with local companies and make necessary infrastructure enhancements to production facilities, distribution networks, sales equipment and technology.

Regional, national and foreign economic factors, including inflation, deflation, fluctuations in interest rates and, in particular, foreign currency exchange rates, and the potential effect on our revenues, expenses, margins and credit ratings.

New or changing laws and regulations affecting our domestic and foreign operations, or changes in enforcement practices, including laws relating to trade, monetary and fiscal policies, taxation (including tax reforms that could adversely impact multinational corporations), sales practices, price controls and licensing and regulatory requirements for new products and products in the postmarketing phase. In particular, the U.S. and other countries may impose new requirements regarding registration, labeling or prohibited materials that may require us to re-register products already on the market or otherwise impact our ability to market our products. Environmental laws, particularly with respect to the emission of greenhouse gases, are also becoming more stringent throughout the world, which may increase our costs of operations or necessitate changes in our manufacturing plants or processes or those of our suppliers, or result in liability to BD.

**Table of Contents**

Product efficacy or safety concerns regarding our products resulting in product recalls, regulatory action on the part of the U.S. Food and Drug Administration (FDA) or foreign counterparts, declining sales and product liability claims, particularly in light of the current regulatory environment, including increased enforcement activity by the FDA.

Competitive factors that could adversely affect our operations, including new product introductions (for example, new forms of drug delivery) by our current or future competitors, increased pricing pressure due to the impact of low-cost manufacturers as certain competitors have established manufacturing sites or have contracted with suppliers in low-cost manufacturing locations as a means to lower their costs, patents attained by competitors (particularly as patents on our products expire), and new entrants into our markets.

The effects of events that adversely impact our ability to manufacture our products (particularly where production of a product line is concentrated in one or more plants) or our ability to source materials or components from suppliers that are needed for such manufacturing, including pandemics, natural disasters, or environmental factors.

Fluctuations in the cost and availability of oil-based resins and other raw materials, as well as certain sub-assemblies and finished goods, the ability to maintain favorable supplier arrangements and relationships (particularly with respect to sole-source suppliers), and the potential adverse effects of any disruption in the availability of such items.

Difficulties inherent in product development, including the potential inability to successfully continue technological innovation, complete clinical trials, obtain regulatory approvals in the United States and abroad, obtain coverage and adequate reimbursement for new products, or gain and maintain market approval of products, as well as the possibility of infringement claims by competitors with respect to patents or other intellectual property rights, all of which can preclude or delay commercialization of a product. Delays in obtaining necessary approvals or clearances from the FDA or other regulatory agencies or changes in the regulatory process (including potential 510(k) reforms) may also delay product launches and increase development costs.

Fluctuations in the demand for products we sell to pharmaceutical companies that are used to manufacture, or are sold with, the products of such companies, as a result of funding constraints, consolidation or otherwise.

Fluctuations in university or U.S. and international governmental funding and policies for life sciences research.

Our ability to achieve our projected level or mix of product sales. Our earnings forecasts are based on projected volumes and sales of many product types, some of which are more profitable than others.

Our ability to implement our ongoing upgrade of our enterprise resource planning system, as any delays or deficiencies in the design and implementation of our upgrade could adversely affect our business.

**Table of Contents**

Security breaches of our computer and communications systems, including computer viruses, hacking and cyber-attacks, which could impair our ability to conduct business, or result in the loss of BD trade secrets or otherwise compromise sensitive information of BD or its customers, suppliers and other business partners.

Pending and potential future litigation or other proceedings adverse to BD, including antitrust claims, product liability claims and patent infringement claims, and the availability or collectibility of insurance relating to any such claims.

The effect of adverse media exposure or other publicity regarding BD's business or operations, including the effect on BD's reputation or demand for its products.

The effects, if any, of governmental and media activities regarding the business practices of group purchasing organizations, which negotiate product prices on behalf of their member hospitals with BD and other suppliers.

The effect of market fluctuations on the value of assets in BD's pension plans and on actuarial interest rate and asset return assumptions, which could require BD to make additional contributions to the plans or increase our pension plan expense.

Political conditions in international markets, including civil unrest, terrorist activity, governmental changes, restrictions on the ability to transfer capital across borders and expropriation of assets by a government, including the recent civil unrest in parts of the Middle East.

The impact of business combinations, including any volatility in earnings relating to acquired in-process research and development assets, and our ability to successfully integrate any business we may acquire.

Our ability to obtain the anticipated benefits of restructuring programs, if any, that we may undertake.

Issuance of new or revised accounting standards by the Financial Accounting Standards Board or the Securities and Exchange Commission.

The foregoing list sets forth many, but not all, of the factors that could impact our ability to achieve results described in any forward-looking statements. Investors should understand that it is not possible to predict or identify all such factors and should not consider this list to be a complete statement of all potential risks and uncertainties.

**Table of Contents**

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in information reported since the end of the fiscal year ended September 30, 2011.

Item 4. Controls and Procedures

An evaluation was carried out by BD's management, with the participation of BD's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of BD's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of June 30, 2012. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were, as of the end of the period covered by this report, effective and designed to ensure that material information relating to BD and its consolidated subsidiaries would be made known to them by others within these entities. There were no changes in our internal control over financial reporting during the fiscal quarter ended June 30, 2012 identified in connection with the above-referenced evaluation that have materially affected, or are reasonably likely to materially affect, BD's internal control over financial reporting.

**Table of Contents**

PART II OTHER INFORMATION

Item 1. Legal Proceedings

We are involved, both as a plaintiff and a defendant, in various legal proceedings which arise in the ordinary course of business, including product liability and environmental matters as set forth in our 2011 Annual Report on Form 10-K and in Note 5 of the Notes to Condensed Consolidated Financial Statements in this report. Since March 31, 2012, the following developments have occurred with respect to the legal proceedings in which we are involved:

Antitrust Class Actions

As previously reported, in the antitrust class actions consolidated in the U.S. District Court for the District of New Jersey under the caption *In re Hypodermic Products Antitrust Litigation*, on June 5, 2012, the U.S. Court of Appeals for the Third Circuit reversed a decision of the District Court and ruled that the distributor plaintiffs, not the hospital plaintiffs, are direct purchasers entitled to pursue damages under the federal antitrust laws for certain sales of BD products. The previously reported settlement agreement entered into on April 27, 2009 by BD and certain purchaser plaintiffs (including BD's distributors) is contingent on a ruling that the distributor plaintiffs are the direct purchasers entitled to pursue damages. The agreement provides for, among other things, the payment by BD of \$45 million in exchange for a release by all potential class members of the direct purchaser claims under federal antitrust laws related to the products and acts enumerated in the complaint, and a dismissal of the case with prejudice, insofar as it relates to direct purchaser claims. The release would not cover potential class members that affirmatively opt out of the settlement or indirect purchaser claims. Assuming the ruling of the Third Circuit stands, the settlement agreement remains in effect, subject to certain termination provisions, and must be approved as to fairness by the District Court.

Summary

Given the uncertain nature of litigation generally, BD is not able in all cases to estimate the amount or range of loss that could result from an unfavorable outcome of the litigation to which BD is a party. In accordance with U.S. generally accepted accounting principles, BD establishes accruals to the extent probable future losses are estimable (in the case of environmental matters, without considering possible third-party recoveries). In view of the uncertainties discussed above, BD could incur charges in excess of any currently established accruals and, to the extent available, excess liability insurance. In the opinion of management, any such future charges, individually or in the aggregate, could have a material adverse effect on BD's consolidated results of operations and consolidated cash flows.

**Table of Contents**Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Part 1, Item 1A, of our 2011 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The table below sets forth certain information regarding our purchases of common stock of BD during the quarter ended June 30, 2012.

Issuer Purchases of Equity Securities

For the three months ended June 30, 2012	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (2)
April 1 30, 2012				14,828,745
May 1 31, 2012	2,181,113	\$ 75.58	2,179,400	12,649,345
June 1 30, 2012	1,175,233	\$ 72.78	1,172,000	11,477,345
Total	3,356,346	\$ 74.60	3,351,400	11,477,345

- (1) Includes 4,790 shares purchased during the quarter in open market transactions by the trust relating to BD's Deferred Compensation and Retirement Benefit Restoration Plan and 1996 Directors' Deferral Plan, and 156 shares delivered to BD in connection with stock option exercises.
- (2) The repurchases were made pursuant to a repurchase program covering 18 million additional shares authorized by the Board of Directors on July 26, 2011, for which there is no expiration date.

**Table of Contents**

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Exhibit 31 Certifications of Chief Executive Officer and Chief Financial Officer, pursuant to SEC Rule 13a - 14(a).

Exhibit 32 Certifications of Chief Executive Officer and Chief Financial Officer, pursuant to SEC Rule 13a - 14(b) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code.

Exhibit 101 The following materials from this report, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) Notes to Condensed Consolidated Financial Statements.

**Table of Contents**

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Becton, Dickinson and Company  
(Registrant)

Dated: August 6, 2012

/s/ David V. Elkins  
David V. Elkins  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

/s/ Suketu Upadhyay  
Suketu Upadhyay  
Senior Vice President and Controller  
(Principal Accounting Officer)



**Table of Contents**

INDEX TO EXHIBITS

Exhibit Number	Description of Exhibits
31	Certifications of Chief Executive Officer and Chief Financial Officer, pursuant to SEC Rule 13a - 14(a).
32	Certifications of Chief Executive Officer and Chief Financial Officer, pursuant to SEC Rule 13a - 14(b) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code.
101	The following materials from this report, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) Notes to Condensed Consolidated Financial Statements.