Becton, Dickinson and Company

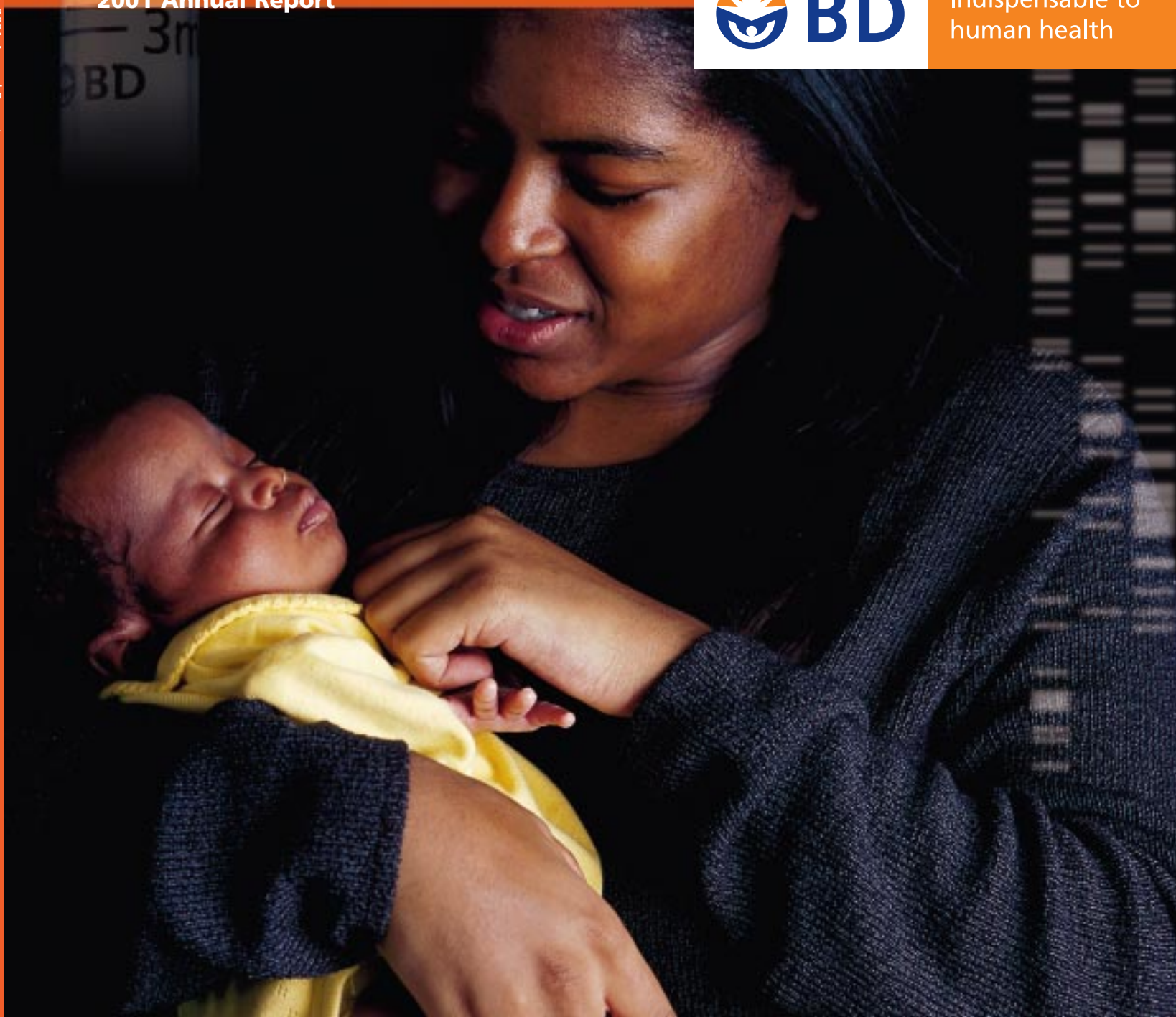
2001 Annual Report

Solutions for human health

2001 Annual Report

BD

Indispensable to human health



Solutions for human health

Purpose:
Helping all people live healthy lives, and in so doing, become one of the best performing companies in our industry.

Vision:
To become a great company, defined by:

- **Great performance**
- **Great contributions to society**
- **Great place to work**

Strategy:
To add increased value through technological innovation and have a greater impact on patient outcomes.

BD is toolmaker to the worldwide healthcare industry. Our tools are at work in every setting imaginable – from the most sophisticated research laboratories to remote villages with only the most basic healthcare. But our real work is producing solutions… and the best solution of all is helping all people live healthy lives.

About the cover: Brandy Offord and her infant daughter, Akyra, are both benefiting from healthcare solutions from BD. One day after she was born at Emanuel Hospital in Portland, Oregon, Akyra underwent surgery for an intestinal obstruction. She remained in neonatal intensive care for three and one-half weeks, but went home with a clean bill of health shortly before this picture was taken. A *BD Insyte-N Autoguard* shielded IV catheter, specifically designed for neonates and others with tiny or fragile veins, was used to provide Akyra with infusion therapy.

To our shareholders:

In reviewing BD's performance for 2001, I want to build upon last year's letter to shareholders, my first as CEO. In that letter, I sought to report on what we had accomplished during the year, as well as to provide you with a better understanding of the enterprise we are building. We are striving to be a high-performance medical technology innovator that is considered by our customers and associates to be a *great company*.

This is a continuous process. In my view, *greatness* requires that we accomplish three interdependent objectives that build upon and reinforce each other:

- Achieving consistent and sustainable top-tier financial and operational results, which translates into *great performance*.
- Developing enhancements in medical technology that respond to our corporate purpose of "*helping all people live healthy lives*," thereby making *great contributions to society*.
- Engaging and motivating a diverse group of associates by providing the tools, learning and environment required to make BD a *great place to work*.

I refer to these objectives as the three "*greats*," and I believe that it is not possible to sustain one without the others. Only when our customers, shareholders and associates determine that we have achieved *great performance*, made *great contributions to society* and become a *great place to work* will we feel that we indeed have become a *great company*.

I am pleased to report that over the past year we made substantial progress in each of these three areas.

Commitment to performance

Fiscal 2001 was a year in which the promises we made at the end of 2000 were promises we kept. Driven by growth in our core businesses and, importantly, by a nearly 100 basis-point improvement in comparable operating margin, we delivered earnings growth in line with our commitments while also strengthening the balance sheet.

Among financial highlights, 2001 revenues increased approximately 4 percent over 2000 (7 percent at constant foreign exchange rates) and net income, in line with expectations, was $438 million (before the cumulative effect of an accounting change), or $1.63 a share. The revenue increases reflect growth in all three worldwide segments; in particular, sales of our safety-engineered products exceeded our projections and BD Biosciences showed strength across the board. Additional revenue drivers included Pharmaceutical Systems and contributions from our two new clinical

Financial Highlights
Thousands of dollars, except per-share amounts

	2001	2000	Change
Operating Results			
Revenues	**$3,754,302**	$3,618,334	3.8%
Income Before Cumulative Effect of Change in Accounting Principle	**438,402**	392,897	11.6%
Diluted earnings per share, before cumulative effect	**1.63**	1.49	9.4%
Dividends per common share	**.38**	.37	2.7%

diagnostic platforms, *BD Phoenix* and *BD ProbeTec ET*.

During the year, we continued to leverage our SSG&A expenses through strong spending controls. A longer-term cost reduction goal lies in work system redesign across three related core processes: procurement, forecast-to-stock (including manufacturing and supply chain management) and order-to-cash (orders, shipping and collections). All of these feed into our "power alley"–so named because it's the primary route for delivering quality and service value to our customers.

We have in place a dedicated process organization that is charged with creating a "lean enterprise" environment embracing these key processes. Its objective is to align with other process improvements to drive reduced cycle time, higher quality, lower inventories and improved order fill rates, all of which should result in lower costs and a more competitive BD.

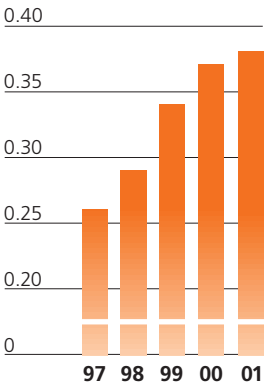
Two key initiatives supporting our process improvements are "Genesis" and our Six Sigma quality program. Genesis is our name for the enterprise resource planning program that is integral to our reengineered processes. During fiscal 2001, we completed the global design for each stage of the program and we are implementing a series of "go-live" events around the world during fiscal 2002. Our Six Sigma quality program recently completed its first full year. Through fiscal 2001, we have trained more than 100 Six Sigma "Black Belts" and we are promoting an active "Green Belt" training program.

Commitment to innovation

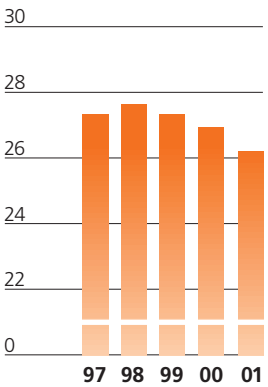
Improving our financial and operational performance allows us to fuel our investment in medical technology innovations. Some of the products that have resulted from our commitment to innovation are presented as "solutions for human health" in our theme section beginning on page 6. My comments will focus on broader observations about the ways in which innovation is driving BD's growth.

With the introduction of products such as our new *BD Integra* retracting needle syringe (featured on page 12) we are embarking on our fourth generation of safety-engineered products. This legacy not only underscores our leadership in this field, it also points out BD's ability to continually innovate in mature product categories such as syringes, hypodermic needles, catheters and blood collection devices. In our Pharmaceutical Systems product group–in which BD drug delivery devices are primarily sold to pharmaceutical companies to be prefilled with drugs–we continue to achieve double-digit growth through established partnerships with a significant number of pharmaceutical companies.

Innovations such as these will help to move BD up the healthcare value chain and make us more of a factor in improving healthcare outcomes–important emerging themes for BD. In the BD Medical Systems and BD Clinical Laboratory Solutions business segments, our intimate knowledge of clinical processes and customer preferences enables us to develop value-added products that enhance both worker safety and patient comfort, while preserving or improving existing clinical techniques and practices.



Dividends Per Common Share
(Dollars)



Selling and Administrative Expense
(Percent of Revenues)

Equally relevant examples come from BD Biosciences' close collaboration with researchers around the world. BD Biosciences not only provides reagents, instrumentation and other products, it actually helps design experiments focused on drug delivery and development. Moreover, BD Biosciences–already among the world's largest life sciences businesses–is leveraging its extensive product line to create still higher-value systems and solutions.

Looking further into the future, we have a range of genuinely exciting technologies and product platforms under development, particularly in the area of advanced drug delivery. This opportunity is especially compelling because these drug delivery systems are coming of age at the dawn of the biotechnology era. Large molecule biotechnology-based drugs today most often must be injected, as opposed to ingested. Early tests indicate that the delivery systems we have under development could significantly increase the effectiveness of such drugs. When added to the drug discovery role played by BD Biosciences and the diagnostics performed by BD Clinical Laboratory Solutions, BD is poised to participate in every phase of the biotechnology revolution, from drug discovery through diagnostics to drug delivery.

Commitment to a great workplace

The third leg of our commitment is to the workplace. Making innovative contributions to healthcare practices and achieving high levels of operational and financial performance requires strong talent and excellent organizational capabilities. Throughout the company, existing programs have been enhanced and others have been initiated to improve our organizational effectiveness and attract the best available talent.

BD University (BDU), a leadership development resource, continues to expand and positively influence leaders throughout the company. Some 2,500 BD associates have participated in BDU programs to date. BDU is a homegrown development tool that we expect to enhance management effectiveness in the years ahead.

We also have streamlined our executive compensation plans with a particular focus on incentives and stock options tied to performance. In addition, we are using new management tools for assessing employee performance and development needs; promoting closer communications among senior managers throughout the company; and proactively working toward greater workforce diversity.

Looking ahead, while there is much to do, we have begun to establish a healthy balance of stretch and stability. I would like to thank all our associates for their efforts and for the results they are producing. In the same spirit, I would like to recognize the leaders of our worldwide businesses and my colleagues in senior management, who play key roles in shaping and implementing our strategy.

I believe that we at BD are making measurable progress on our journey toward greatness. It is our vision for the future, and we are steadfast in our commitment. We must do several things to reach our destination:

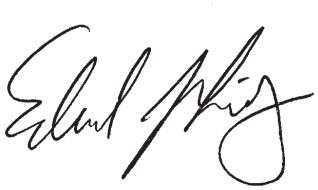
- We will continue to sharpen our performance and deliver on promises.
- We will enhance our ability to make innovative contributions to medical practice.
- We will structure the company and take those actions necessary to focus our resources and leverage our strengths.

As I observed earlier, our customers, shareholders and associates ultimately will decide if we have made the grade. But, having set a lofty and worthy goal, we fully intend to succeed.

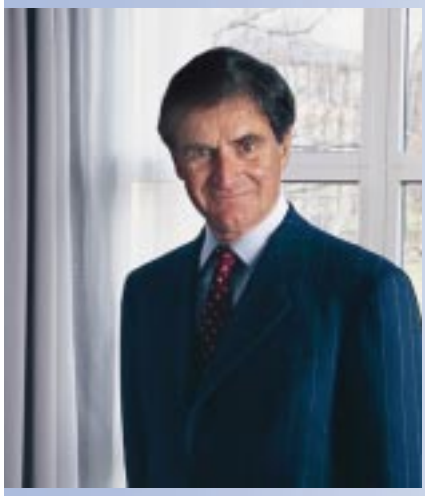
I also would like to take this opportunity to acknowledge the outstanding contributions and support of Clateo Castellini, who is

retiring as Chairman of the Board in February 2002. Clateo has been a friend and mentor during the past years of transition. His vision and passion for greatness laid the groundwork for many successes we will enjoy as a company. Clateo is continuing as a member of the Board, and I look forward to his ongoing counsel.

As our fiscal year neared its end in September, this nation–indeed, the world–experienced a terrible tragedy. BD extends its heartfelt sympathies to the families and friends of all who perished in New York, Washington and Pennsylvania on September 11, as well as those who have since given their lives to combat terrorism. We salute the courage of police, fire, rescue and military personnel and share the nation's grief over their sacrifices. We are gratified that our company was able to respond with financial and other forms of support. We do not know how events will develop in the coming months and years, but we stand ready to meet the challenges that lie ahead.



Edward J. Ludwig
President and
Chief Executive Officer



Dear fellow shareholders:

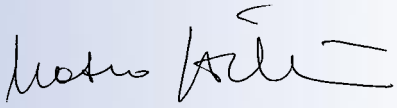
It is with great pride that I reflect on the decision of your Board of Directors to expand Ed Ludwig's responsibilities to include the role of Chairman of the Board, in addition to those of President and Chief Executive Officer. At the conclusion of the next Annual Meeting of Shareholders in February 2002, I will be honored to transfer these additional responsibilities to Ed.

This decision by the Board is an indication and measure of our support for Ed, for the BD management team, for the strategies they have pursued and effectively implemented, and for their continued efforts to transform our company on the basis of our values and culture. These strategies and efforts will allow BD to make significant contributions to all peoples' lives and at the same time become one of the best-managed companies. These goals will be realized through our superb family of BD people all over the world, who assume great personal responsibility and drive the changes necessary to achieve our goals.

From my own experiences as Chairman, I learned that the role of chairman is at the root of an effective Board that represents and protects the interest of all our shareholders. This past year, the effectiveness of our Board was strengthened through the development of a Statement of Corporate Governance Principles, which was established to guide the Board in its activities. I am confident that Ed will fulfill his responsibilities as Chairman thoughtfully and effectively on behalf of every BD shareholder.

In conclusion, I join the whole Board in wishing Ed and his team continued success in a world that continues to surprise with unforeseeable events and pressures, thus requiring special people and special dedication in each aspect of our daily lives to successfully pursue our mission and goals.

Very truly yours,



Clateo Castellini
Chairman of the Board

Enterprise profile

BD is a medical technology company that serves healthcare institutions, life science researchers, clinical laboratories, industry and the general public. BD manufactures and sells a broad range of medical supplies, devices, laboratory equipment and diagnostic products. On the next several pages you'll be seeing and reading about some of these tools, and how they've become "solutions for human health."

Worldwide Business Segments

BD Biosciences

One of the world's largest businesses supporting the life sciences, BD Biosciences is a provider of products and services to accelerate biomedical discovery and diagnosis. Clinicians and researchers throughout the world use BD Biosciences tools to study genes, proteins and cells to better understand disease, to improve technologies for diagnosis and disease management, and to facilitate the discovery and development of novel therapeutics.

BD Clinical Laboratory Solutions

Organized into two principal groupings–Preanalytical Solutions and Diagnostic Systems–BD Clinical Laboratory Solutions offers system solutions for collecting, identifying and transporting specimens; advanced instrumentation for quickly and accurately analyzing specimens; and services focused on customers' process flow, supply chain management, and training and education.

BD Medical Systems

BD Medical Systems holds leadership positions in hypodermic needles and syringes, infusion therapy, insulin injection systems, and prefillable drug delivery systems for pharmaceutical companies. It offers the industry's broadest, deepest line of safety-engineered sharps products, as well as surgical and regional anesthesia, ophthalmology, critical care, medication management, and sharps disposal products.

Deborah J. Neff, President
BD Biosciences

Richard O. Brajer, President
BD Clinical Laboratory Solutions

Gary M. Cohen, President
BD Medical Systems

Solutions for...

Disease research

Maria de Lourdes de Seixas Antão, a retired Portuguese paralegal, avoided chemotherapy when a *BD FACSCalibur* flow cytometer diagnosed that the disease, thought to be progressing, was in remission.

Tool:	*BD FACSCalibur* Automated System for Cell Analysis
Purpose:	To help clinicians and researchers better understand the cellular mechanisms of disease
Attributes:	The industry standard flow cytometry system for analyzing cells
Benefits:	Increased productivity and confidence as a result of the reliable analytical output produced by the high-throughput format
BD Solution:	The only four-color, dual laser benchtop flow cytometry system capable of both analyzing and sorting cells

Flow cytometry for cell analysis is BD Biosciences' largest single product area. *BD FACS* (fluorescence activated cell sorter) instruments are used in research laboratories to gain a better understanding of the immune system and cellular response. In clinical laboratories, *BD FACS* systems are used for enumerating cells, which help to determine the impact of diseases, such as AIDS, on the immune system; to evaluate treatment options and their effectiveness; and to monitor transplant patients. *BD FACSCalibur* is a high-performance, high-throughput automated system that offers fast, precise cell analysis and consistent results. In a complementary role, BD Biosciences Pharmingen provides an extensive portfolio of biomedical reagents that are used by researchers to interrogate cells prior to analysis by *BD FACS* instruments. BD Biosciences completes the flow cytometry solution with management and data analysis software, such as *BD CellQuest* Pro, and services that include education and training, installation, maintenance, and remote diagnostics. Finally, because BD Biosciences offers a full line of *BD FACS* instruments, it can reach the entire global market–from sophisticated research laboratories to small labs with limited financial resources.

Solutions for...

Disease identification

Jay Frerotte, occupational safety/administrative manager of The Johns Hopkins Hospital in Baltimore, is among the health-care decision makers choosing BD's safety-engineered blood collection needles.

Tool:	*BD Eclipse* Blood Collection Needle
Purpose:	Collection of venous blood samples using a safety-engineered device
Attributes:	Added protection without any change in current phlebotomy technique
Benefits:	Added protection and ease of use for healthcare workers and greater comfort for patients
BD Solution:	Single-handed safety shield activation; superior knowledge of preanalytical processes; and a complete line of needles, tubes and accessories for sample collection

Introduced in 1999 as BD was in full-scale conversion to safety-engineered devices, the *BD Eclipse* blood collection needle has gained rapid acceptance in the healthcare community, both in the U.S. and abroad. One clear indicator of that acceptance is the fact that seven of the top 10 hospitals in *U.S. News & World Report* magazine's annual ranking are using the *BD Eclipse* blood collection needle exclusively. Currently, the product has been adopted for use in more than 2,800 separate facilities throughout the U.S. The *BD Eclipse* blood collection needle is easy for phlebotomists to use, and upon withdrawal from the vein the needle's safety shield audibly clicks into place with a single-handed motion. Patients realize a benefit, too, in the form of greater comfort owing to the ultra-sharp *BD PrecisionGlide* needle. In addition to the *BD Eclipse* blood collection needle, BD Clinical Laboratory Solutions offers a full array of other safety-engineered devices for drawing and transferring blood, and has future-generation devices in development.

Solutions for...

Drug discovery

Ken Santone, Ph.D., Group Leader, Discovery Metabolism and Pharmacokinetics for Bristol-Myers Squibb, uses *BD Gentest* reagents and kits on a daily basis to support his research projects.

Tool:	*BD Gentest* Reagents and Kits
Purpose:	To allow pharmaceutical companies to screen drugs under development for drug-drug interactions as well as individual reactions based on genetic and environmental factors
Attributes:	A comprehensive line of high-quality reagents and services
Benefits:	Elimination of undesirable drug candidates earlier in the drug discovery and development process as a result of high throughput and consistently accurate results
BD Solution:	Consulting and contract research services offered with *BD Gentest* reagents and kits provide a complete solution to customers

In January 2001, BD acquired Massachusetts-based Gentest Corporation, a leader in drug metabolism and toxicology testing of drugs under development by pharmaceutical companies. Gentest has been integrated into BD Biosciences Discovery Labware as a major product line for in vitro drug toxicity testing. *BD Gentest* reagents and kits are used by major pharmaceutical and biotechnology companies around the world. *BD Gentest* products complement BD Biosciences' expertise in molecular biology, immunology and flow cytometry. Because *BD Gentest* products are applicable to virtually any therapeutic target–from cancer to heart disease to psychological disorders–they are valuable to many pharmaceutical and biotechnology companies. Moreover, because an aging population is generally relying on more prescription pharmaceuticals, drug-drug interaction testing has become increasingly important. Historically, the discovery of adverse drug interactions did not occur until a drug candidate was already in clinical trials. Newly-developed *BD Gentest* products now permit high-throughput screening in the early stages of drug discovery, potentially unmasking adverse drug interactions prior to costly clinical trials.

Solutions for...

Diagnostics

Dr. Wim Laffut, researcher at the bacteriology laboratory, OLV Hospital, Aalst, Belgium, uses the *BD Phoenix* system to help diagnose bacterial infections and direct patient therapy.

Tool:	*BD Phoenix* Automated System for Identification and Susceptibility Testing
Purpose:	Identification of the bacteria that is infecting a patient and the best antibiotic to treat it
Attributes:	Automated system for simultaneous incubation and analysis, delivering rapid, highly accurate results
Benefits:	Accurate results in 10 hours or less–very rapid in the microbial world; low total cost of ownership; ease of use
BD Solution:	BD becomes a complete diagnostic microbiology provider, rounding out existing capabilities in instrumentation for blood analysis and prepared plated media

Each year, nearly two million patients in the U.S. contract an infection while receiving care in a hospital, according to the Centers for Disease Control and Prevention (CDC). Hospital-acquired (nosocomial) infections can be difficult to treat because the microorganisms that cause them are often resistant to antibiotics. A timely, accurate response is key to effective treatment, and that's where the *BD Phoenix* Automated System for Identification and Susceptibility Testing comes in. Introduced in Europe in 2001 and currently under U.S. FDA review for clinical use in the U.S., the *BD Phoenix* system provides the technology to detect bacterial resistance rapidly and direct optimal patient therapy. Because it can perform up to 200 simultaneous identification and susceptibility tests, *BD Phoenix* meets the demands of medium and high volume laboratories. An example involves a Belgian cancer patient, whose antimicrobial treatment was redirected after the laboratory's *BD Phoenix* system identified the infectious cause as a microorganism not anticipated in his physician's initial diagnosis and selection of empiric therapy. The laboratory's *BD Phoenix* system identified the unsuspected infectious organism after only four hours compared to methodologies previously used in the lab taking up to 24 hours.

Solutions for...

Functional genomics

Jerry Hsu, a research scientist at Stanford University School of Medicine, uses the *BD Clontech* Cancer Profiling Array to rapidly screen tumors for expression of a gene involved in various cancers.

Tool:	*BD Clontech* Cancer Profiling Array
Purpose:	To help basic researchers and pharmaceutical companies better understand gene functions in cancerous and normal tissues
Attributes:	Rapid investigation of 13 different types of cancers simultaneously
Benefits:	A convenient, easy to use assay for comparison across cancer types
BD Solution:	The *BD Clontech* Cancer Profiling Array is the only cancer tissue-derived dot blot array on the market

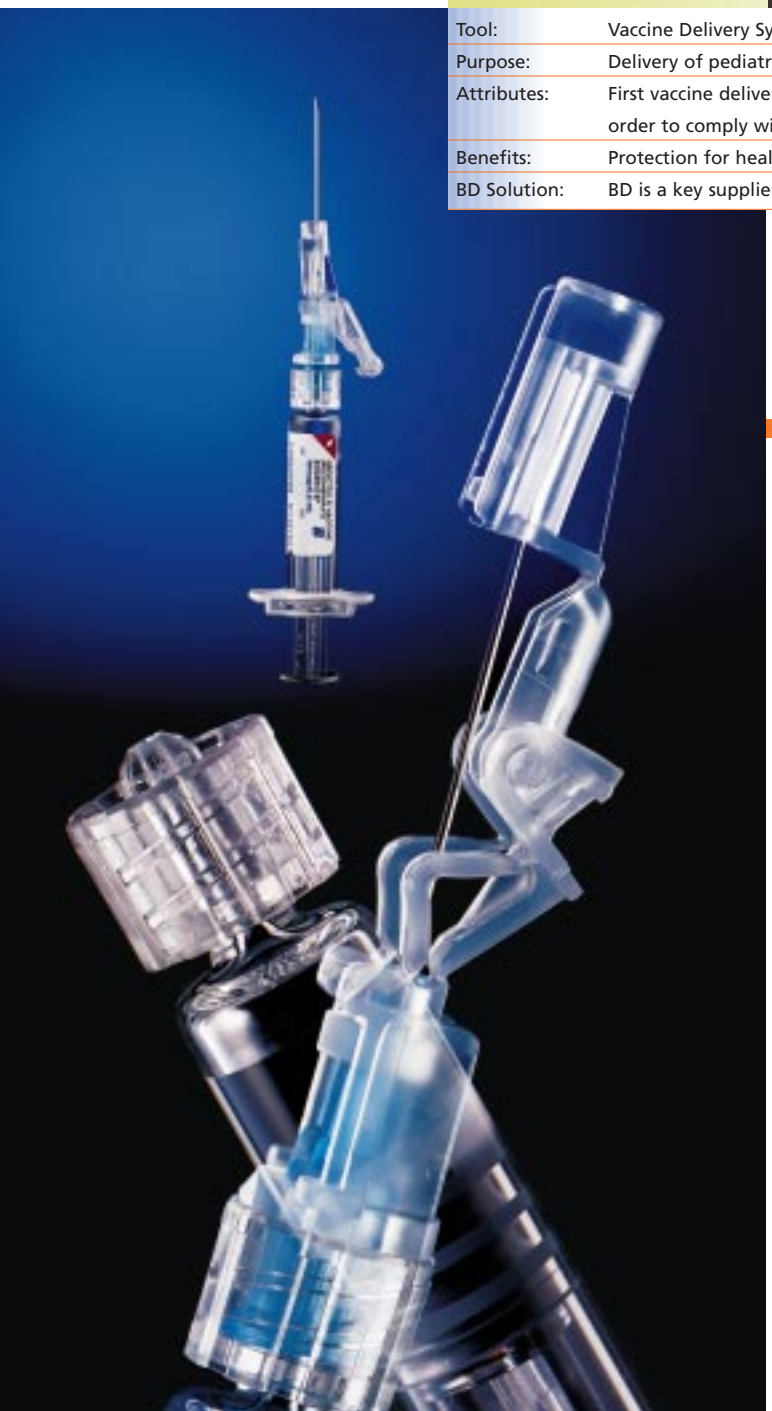
Scientists seeking to study various cancers encounter the ongoing problem of obtaining samples from multiple patients. Access to multiple tissue samples is important in determining whether a gene found in one type of cancer is relevant to another. A pharmaceutical company studying a gene implicated in breast cancer, for example, would compare multiple breast cancer tissue samples as well as tissue samples from other cancers. By using the *BD Clontech* Cancer Profiling Array for research, a gene may be linked to many different cancer types and then singled out for closer study. The cancer profiling array–a membrane on which DNA spots are affixed–provides immediate access to 241 paired DNA samples from patients with 13 types of cancers, a resource that would require months or even years for individual researchers to obtain. BD Biosciences Clontech maintains a large and ever-growing collection of samples, and in early 2002 it will use this tissue collection to launch new cancer profiling arrays that allow researchers to focus on specific types of cancer to profile multiple patients very rapidly.

Solutions for...

Drug/device integration

Christopher Mayer received a pediatric dose of vaccine using the Vaccine Delivery System with Prefilled Syringe and Integrated Safety System.

Tool:	Vaccine Delivery System with Prefilled Syringe and Integrated Safety System
Purpose:	Delivery of pediatric vaccines for Hepatitis A and Hepatitis B
Attributes:	First vaccine delivery system to incorporate BD prefillable syringes and the *BD SafetyGlide* needle in order to comply with OSHA's newly revised bloodborne pathogens standard
Benefits:	Protection for healthcare workers and the convenience of a prefilled syringe
BD Solution:	BD is a key supplier of safety-engineered needles and prefillable syringes to GlaxoSmithKline



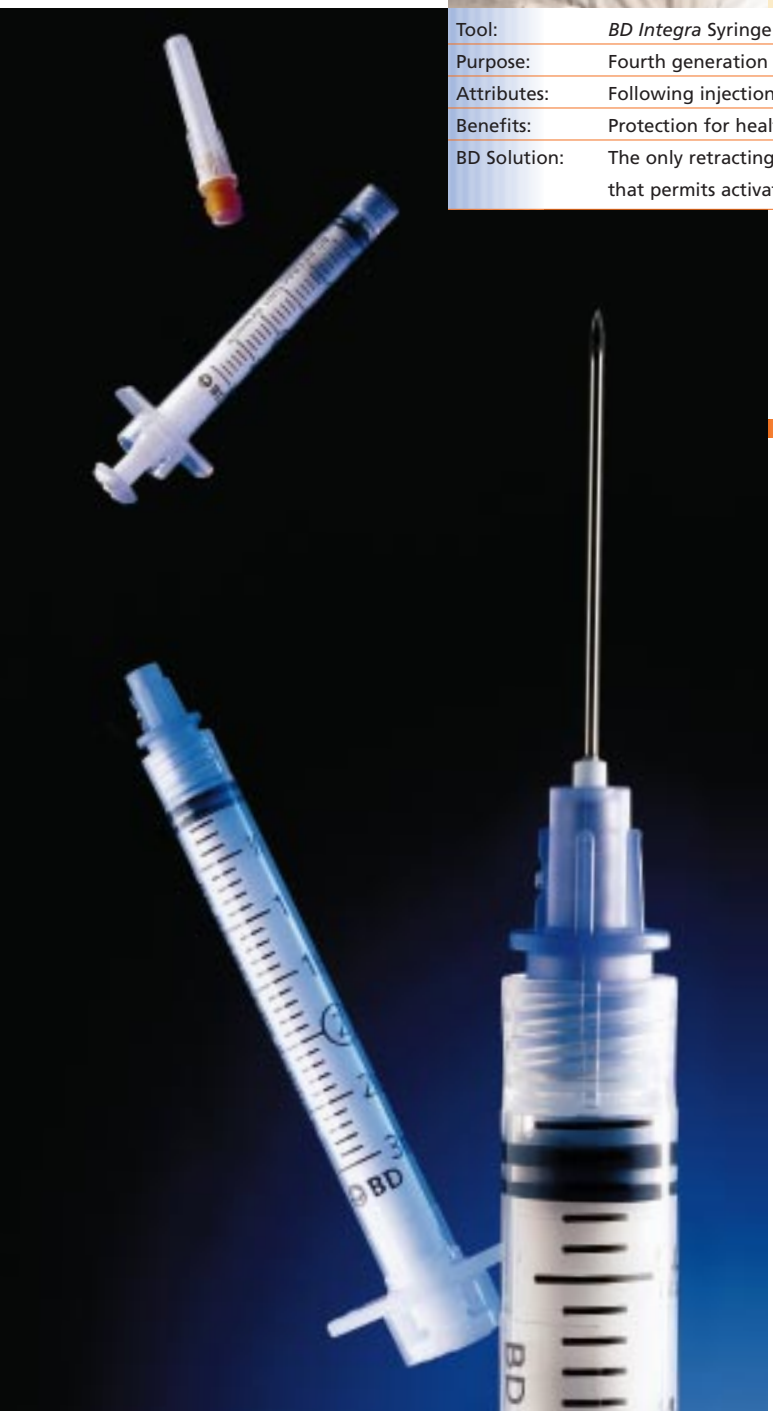
In June 2001, GlaxoSmithKline, one of the world's leading pharmaceutical and healthcare companies, received approval from the U.S. FDA for prefilled Safety Tip-Lok™ syringes packaged with *BD SafetyGlide* needles for pediatric doses of Havrix® and Energix-B.® In pediatric doses, the two vaccines can help protect children from two of the most serious forms of hepatitis, especially Hepatitis A, whose incidence is highest among children from five to 14 years of age. GlaxoSmithKline chose BD because of its heritage of quality, knowledge of clinical practice, and ongoing safety device research and development. BD has similar partnerships throughout the pharmaceutical industry. For instance, the *BD SafetyGlide* needle is also used by biopharmaceutical company Centocor, a subsidiary of Johnson & Johnson, for delivery of Retavase,® a clot-dissolving agent used to treat heart attack victims. During the past year, Amgen launched in a prefilled syringe, Neupogen,® used to prevent infection in cancer patients undergoing certain types of chemotherapy. Partnerships such as these are driving strong growth–in prefillable syringes, self-injection pens, nasal drug delivery and safety-engineered devices–for the Pharmaceutical Systems product group.

Solutions for...

Drug delivery

Gail Jackson, Infection Control Coordinator at Newport (Rhode Island) Hospital, is among the professionals who assessed the performance of the *BD Integra* syringe during clinical trials prior to marketplace introduction. With her is son Bradley, age 10.

Tool:	*BD Integra* Syringe
Purpose:	Fourth generation safety-engineered syringe and needle for injection
Attributes:	Following injection, with a push of the syringe plunger, the needle disappears into the syringe barrel
Benefits:	Protection for healthcare workers and comfort for patients
BD Solution:	The only retracting syringe to offer a choice of detachable needles and the only retracting device that permits activation either inside or outside the patient



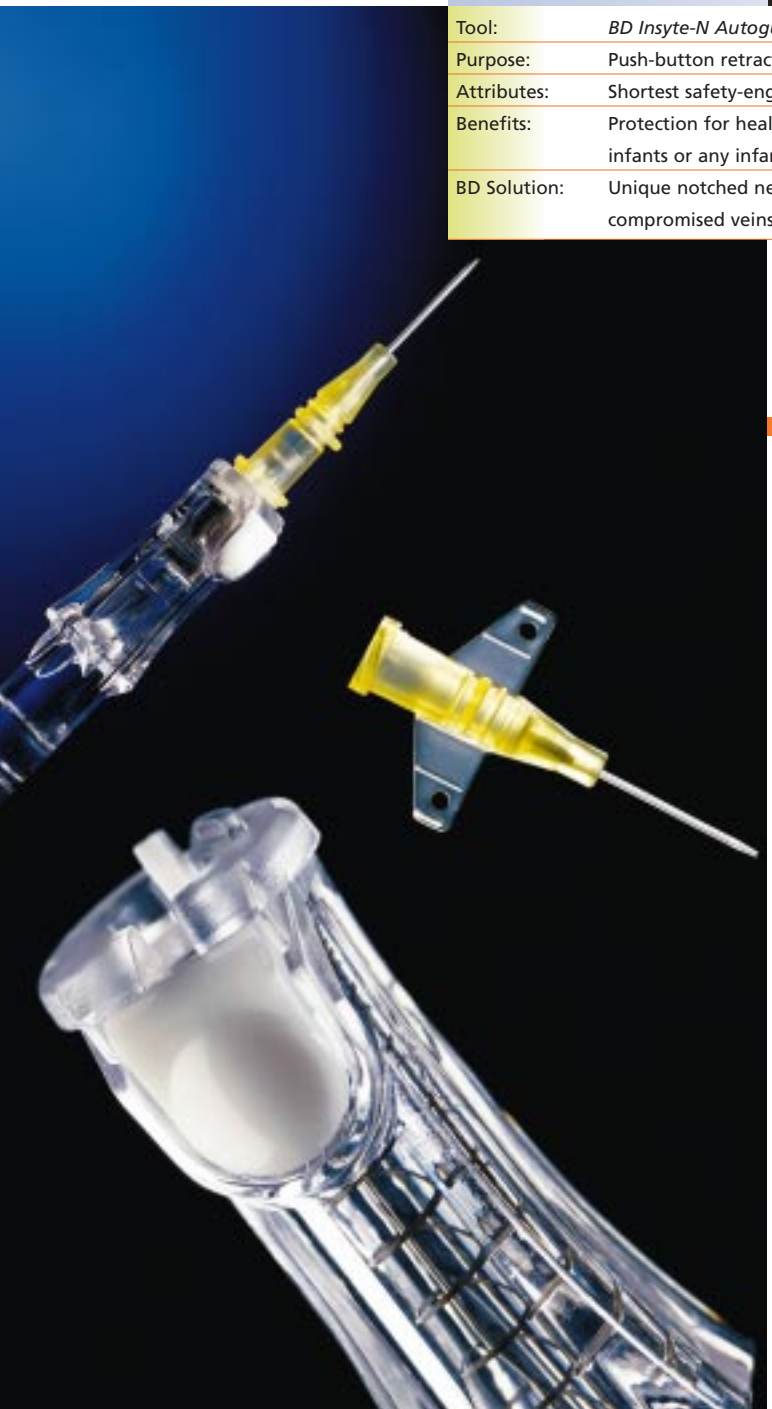
"The future of safety" is the way BD describes its upcoming retracting needle syringe, the *BD Integra* syringe, which offers capabilities not present in earlier retracting needle syringes. It is the only retracting syringe that enables clinicians to change needles. This breakthrough design enhances patient comfort and enables the *BD Integra* syringe to be utilized for a wider range of clinical requirements. In addition, other retracting syringe designs require activation of the retraction feature while the needle is still in the patient–otherwise, the syringe could mis-dose and splatter medication. With the *BD Integra* syringe, needle retraction can be safely activated either before or after the needle is withdrawn from the patient. Research indicates that most clinicians would prefer to retract the needle after it is withdrawn for the comfort and well-being of the patient. Patient comfort is further enhanced by the *BD PrecisionGlide* needle, recognized as the sharpest available. And, while most current retracting designs increase medication waste by leaving a portion in the syringe after use, the *BD Integra* syringe reduces this residual amount by up to 90 percent compared with some other designs–enough for an additional dose of medication per multi-dose vial.

Solutions for...

Medication therapy

Akyra, Brandy Offord's daughter, was born in Portland, Oregon, and was just a month old when this picture was taken. A *BD Insyte-N Autoguard* shielded IV catheter was used to help treat her for an intestinal obstruction.

Tool:	*BD Insyte-N Autoguard* Shielded IV Catheter
Purpose:	Push-button retracting needle infusion device designed specifically for neonates
Attributes:	Shortest safety-engineered IV catheter available
Benefits:	Protection for healthcare workers and effective infusion therapy for premature, low birth weight infants or any infant or patient with small or fragile veins
BD Solution:	Unique notched needle provides instant visual confirmation of blood return, important for small or compromised veins and patients with low venous pressure



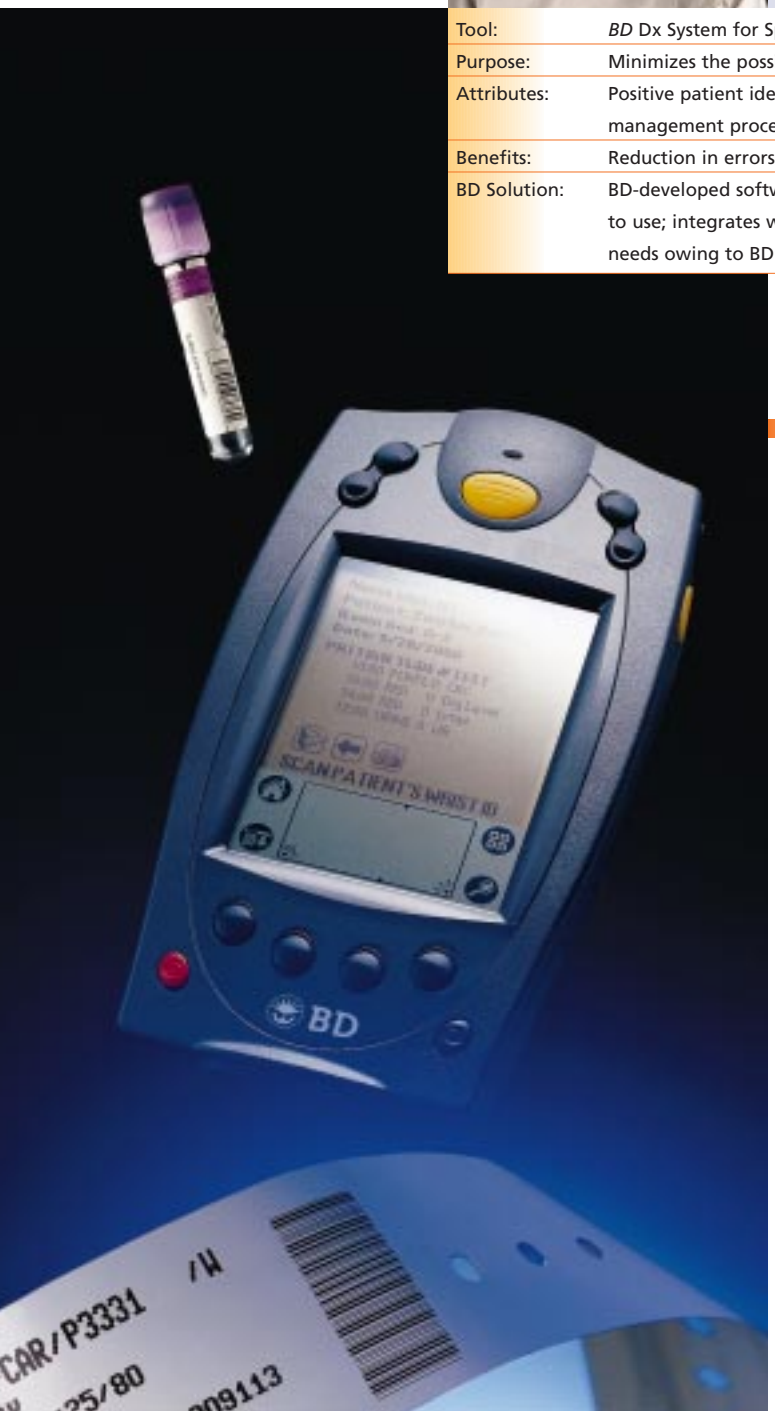
Neonates' small veins, limited access sites and low venous pressure require both expert clinical technique and specially designed infusion therapy products, such as the *BD Insyte-N Autoguard* shielded IV catheter. For healthcare workers, this catheter employs the same clinically-proven needle shielding technology as other *BD Autoguard* IV catheters. At the push of a button, the needle immediately retracts into its housing. For neonates specifically, *BD Insyte-N Autoguard* offers the shortest IV catheter on the market–meaning the catheter doesn't need to be threaded as far, causing less trauma to the vessel–plus a notched needle that allows clinicians to see that the catheter has entered the vein. The catheter also employs our exclusive *BD Vialon* material, which softens and conforms to the shape of the vein, thus reducing irritation and phlebitis. Products such as *BD Insyte-N Autoguard* give BD a complete portfolio of safety-engineered IV catheters tailored to various clinical preferences. Moreover, in a major clinical study conducted by a New York hospital, this shielded IV catheter was clinically proven to be highly effective in reducing needlestick injuries.

Solutions for...

Error reduction

Rocco Gaeta, who received a kidney transplant from his daughter, today is "a grateful husband, father and grandfather with a new lease on life." Specimens collected while he was at The Valley Hospital were managed using the *BD* Dx System.

Tool:	*BD* Dx System for Specimen Management
Purpose:	Minimizes the possibility of errors in specimen management
Attributes:	Positive patient identification at the point of collection and safeguards throughout the specimen management process
Benefits:	Reduction in errors, lower costs, increased efficiency and greater patient safety
BD Solution:	BD-developed software based on the popular Palm® operating system makes the *BD* Dx System easy to use; integrates with existing hospital information systems; responsive to nurses' and phlebotomists' needs owing to BD's knowledge of clinical processes



Depending on how it's measured, the total annual cost of preventable medical errors in the U.S. is as much as $17 billion. In human terms, it's estimated that between 44,000 and 98,000 people die each year in U.S. hospitals as the result of medical errors. The *BD* Dx System attacks one aspect of the problem–errors associated with specimen collection and management. In development since 1999, the *BD* Dx System touched virtually every phase of hospital operations and, as a result, it had to thread its way through a complex decision-making process. Now it's making progress. After using the system for two years in an initiative to improve patient safety, The Valley Hospital in Ridgewood, New Jersey, received a national VHA Leadership award for operational performance and improvement. At South Georgia Hospital in Valdosta, critical specimen errors were reduced to zero over a 12-month period and the hospital estimates it saved some $150,000. Evaluations are underway elsewhere in the U.S. and Europe. A companion product, the *BD* Rx System for medication management, has been piloted by The Valley Hospital, making BD one of the few companies with multiple patient safety solutions.

Solutions for...

Diabetes

Emily Santos, an on-the-go 21-year-old, finds that insulin pens fit her active lifestyle better than traditional syringes. Pen needles from BD are compatible with all insulin pens–including the one Emily uses.

Tool:	*BD* Pen Needle
Purpose:	Self-injection of insulin by people with diabetes
Attributes:	The thinnest, shortest needles available
Benefits:	Injection comfort, the number one consideration of people injecting insulin
BD Solution:	Only *BD* pen needles use needle sharpness technology identical to those found on BD insulin syringes, long the industry standard for quality, consistency and comfort

For more than five decades, BD has been the leader in the development of insulin delivery systems that significantly enhance injection comfort, making therapy easier and improving lifestyles for people with diabetes. Today, *BD* brand syringes continue to be the leading choice for insulin delivery in most regions of the world. Over the past decade, there has been a developing trend in Europe and Japan, and more recently in the U.S., toward pen-type devices for insulin delivery. Pen systems–considered more convenient and flexible than syringes–include three major components: an insulin cartridge, the pen device itself and a specially-designed needle that attaches to the front of the pen. In response to this trend, and building on its leadership in injection technologies, BD has been at the forefront of pen needle growth. The reliable, consistent sharpness and comfort, which diabetes patients value in the company's syringes, is now available in *BD* pen needles. BD offers an extensive array of needle sizes and lengths compatible with all pen systems. Most recently, BD introduced a five millimeter-length needle, the world's shortest pen needle for the injection of insulin.

Solutions for...

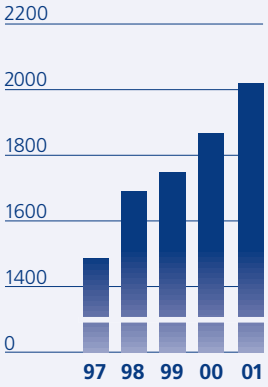
Vaccine development

Pamela Mandela Idenya is a surgeon who operates a clinic at Kenyatta National Hospital in Nairobi. She was one of the first recipients of a new HIV vaccine in a trial conducted by the Kenya AIDS Vaccine Initiative, whose principal partner is IAVI.

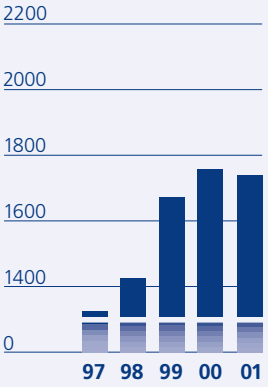
Tool:	BD Immune Monitoring Portfolio
Purpose:	To analyze individual immune responses to novel vaccine candidates
Attributes:	Customization of BD instruments, reagents, software and services meets the unique needs of scientists who develop novel vaccine candidates
Benefits:	Consistently accurate data defining immune responses that are critical in establishing the efficacy of novel vaccine candidates for AIDS and other infectious diseases
BD Solution:	BD Biosciences provides a unique combination of expertise, global reach and comprehensive immune function analysis to further the efforts of scientists dedicated to finding new vaccines for diseases such as AIDS

BD FACS instruments together with *BD FastImmune* and *BD Pharmingen* reagents are being used for basic research for the International AIDS Vaccine Initiative (IAVI) to detect immune responses to novel, preventive AIDS vaccines. IAVI is a global organization with a mission of speeding the development and distribution of preventive AIDS vaccines, particularly in the developing world. BD is supporting that mission through financial assistance, collaborations with IAVI scientists, and comprehensive instrument and reagent solutions. Today, an estimated 40 million people around the world are infected with HIV. Not only is the human toll devastating, the cost of treatment is often beyond the reach of public health programs in developing countries. In fall 2001, IAVI launched its first large scale trial of AIDS vaccines, and the immune monitoring portfolio from BD Biosciences played a key role. With a primary focus on improving human health, BD Biosciences will maintain its support of IAVI as well as other organizations and initiatives by continuing to provide innovative products, services and leading edge expertise to the life sciences community.

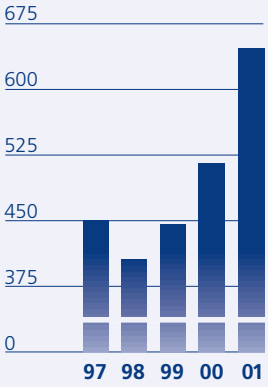
Financials



U.S. Revenues
(Millions of Dollars)

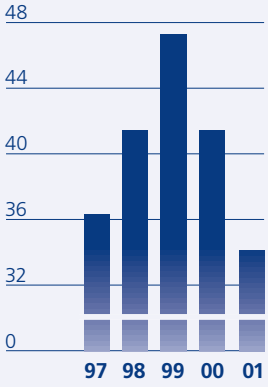


Non-U.S. Revenues
(Millions of Dollars)

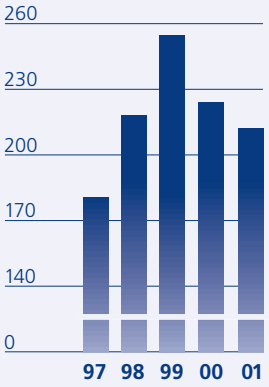


Operating Income*
(Millions of Dollars)

* Includes special charges in 2000, 1999 and 1998 and in-process research and development charges in 2000, 1999, 1998 and 1997.

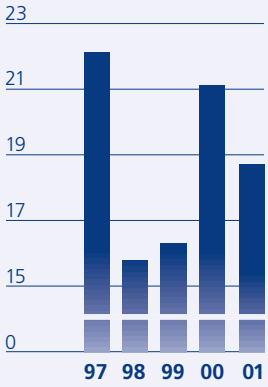


Debt to Capitalization
(Percent)



Research and Development Expense*
(Millions of Dollars)

* In-process research and development charges of $5 million, $49 million, $30 million and $15 million were recorded in 2000, 1999, 1998 and 1997, respectively.



Return on Equity*
(Percent)

* Includes cumulative effect of accounting change in 2001, as well as special charges in 2000, 1999 and 1998 and in-process research and development charges in 2000, 1999, 1998 and 1997.

Summary

Ten-Year Summary of Selected Financial Data

Years Ended September 30

Dollars in millions, except per-share amounts

	2001	2000	1999	1998
Operations				
Revenues	**$3,754.3**	$3,618.3	$3,418.4	$3,116.9
Research and Development Expense	**211.8**	223.8	254.0	217.9
Operating Income	**645.9**	514.8	445.2	405.4
Interest Expense, Net	**55.4**	74.2	72.1	56.3
Income Before Income Taxes and Cumulative Effect of Accounting Changes	**576.8**	519.9	372.7	340.9
Income Tax Provision	**138.3**	127.0	96.9	104.3
Net Income	**401.7**[A]	392.9	275.7	236.6
Basic Earnings Per Share	**1.55**[A]	1.54	1.09	.95
Diluted Earnings Per Share	**1.49**[A]	1.49	1.04	.90
Dividends Per Common Share	**.38**	.37	.34	.29
Financial Position				
Current Assets	**$1,762.9**	$1,660.7	$1,683.7	$1,542.8
Current Liabilities	**1,264.7**	1,353.5	1,329.3	1,091.9
Property, Plant and Equipment, Net	**1,716.0**	1,576.1	1,431.1	1,302.7
Total Assets	**4,802.3**	4,505.1	4,437.0	3,846.0
Long-Term Debt	**783.0**	779.6	954.2	765.2
Shareholders' Equity	**2,328.8**	1,956.0	1,768.7	1,613.8
Book Value Per Common Share	**8.98**	7.72	7.05	6.51
Financial Relationships				
Gross Profit Margin	**49.0%**	48.9%	49.9%	50.6%
Return on Revenues	**11.7%**[D]	10.9%	8.1%	7.6%
Return on Total Assets[C]	**13.7%**	13.6%	10.9%	11.7%
Return on Equity	**20.3%**[D]	21.1%	16.3%	15.8%
Debt to Capitalization[E]	**34.1%**	41.4%	47.2%	41.4%
Additional Data				
Number of Employees	**24,800**	25,000	24,000	21,700
Number of Shareholders	**10,329**	10,822	11,433	9,784
Average Common and Common Equivalent Shares Outstanding-Assuming Dilution (millions)	**268.8**	263.2	264.6	262.1
Depreciation and Amortization	**$ 305.7**	$ 288.3	$ 258.9	$ 228.7
Capital Expenditures	**370.8**	376.4	311.5	181.4

(A) Includes cumulative effect of accounting change of $36.8 ($.14 per basic and diluted share).

(B) Includes cumulative effect of accounting changes of $141.1 ($.47 per basic share; $.45 per diluted share).

(C) Earnings before interest expense, taxes and cumulative effect of accounting changes as a percent of average total assets.

(D) Excludes the cumulative effect of accounting changes.

(E) Total debt as a percent of the sum of total debt, shareholders' equity and net non-current deferred income tax liabilities.

1997	1996	1995	1994	1993	1992
$2,810.5	$2,769.8	$2,712.5	$2,559.5	$2,465.4	$2,365.3
180.6	154.2	144.2	144.2	139.1	125.2
450.5	431.2	396.7	325.0	270.4	328.6
39.4	37.4	42.8	47.6	53.4	49.1
422.6	393.7	349.6	296.2	222.9	269.5
122.6	110.2	97.9	69.0	10.1	68.7
300.1	283.4	251.7	227.2	71.8 [B]	200.8
1.21	1.10	.92	.77	.22 [B]	.65
1.15	1.05	.89 .	76	.22 [B]	.63
.26	.23	.21	.19	.17	.15
$1,312.6	$1,276.8	$1,327.5	$1,326.6	$1,150.7	$1,221.2
678.2	766.1	720.0	678.3	636.1	713.3
1,250.7	1,244.1	1,281.0	1,376.3	1,403.1	1,429.5
3,080.3	2,889.8	2,999.5	3,159.5	3,087.6	3,177.7
665.4	468.2	557.6	669.2	680.6	685.1
1,385.4	1,325.2	1,398.4	1,481.7	1,457.0	1,594.9
5.68	5.36	5.37	5.27	4.88	5.25
49.7%	48.4%	47.0%	45.3%	44.5%	45.0%
10.7%	10.2%	9.3%	8.9%	8.6% [D]	8.5%
15.9%	15.2%	13.3%	11.5%	9.2%	11.1%
22.1%	20.8%	17.5%	15.5%	13.3% [D]	13.6%
36.3%	34.3%	35.2%	36.1%	37.8%	36.1%
18,900	17,900	18,100	18,600	19,000	19,100
8,944	8,027	7,712	7,489	7,463	7,086
259.6	267.6	280.4	298.6	313.2	313.4
$ 209.8	$ 200.5	$ 207.8	$ 203.7	$ 189.8	$ 169.6
170.3	145.9	123.8	123.0	184.2	185.6

Financial Review

Company Overview

Becton, Dickinson and Company ("BD") is a medical technology company that serves healthcare institutions, life science researchers, clinical laboratories, industry and the general public. BD manufactures and sells a broad range of medical supplies, devices, laboratory equipment and diagnostic products. We focus strategically on achieving growth in three worldwide business segments–BD Medical Systems ("Medical"), BD Clinical Laboratory Solutions ("Clinical Lab") and BD Biosciences ("Biosciences"). Our products are marketed in the United States and internationally through independent distribution channels, directly to end users and by sales representatives. The following references to years relate to our fiscal year, which ends on September 30.

Accounting Change

We adopted the provisions of Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements,"("SAB 101"), in the fourth quarter of 2001 and, as a result, recorded the following accounting changes, described below, effective October 1, 2000. SAB 101 provides the SEC's views on the timing of revenue recognition for certain transactions for which explicit guidance had not previously been available. We changed our method of accounting for revenue related to branded insulin syringe products that are sold under incentive programs to distributors in the U.S. consumer trade channel. We concluded that the preferable method is to defer revenue recognition until such product is sold by the distributor to the end customer. We also changed our accounting method for Biosciences instruments to defer revenue from these products until completion of installation at the customer's site. As a result of these accounting changes, we recorded a total cumulative effect of change in accounting principle of $37 million, net of tax. The impact of the adoption of SAB 101 on revenues and net income before the cumulative effect was immaterial. See Note 2 of the Notes to Consolidated Financial Statements for additional discussion of these accounting changes.

Revenues and Earnings

Worldwide revenues in 2001 were $3.8 billion, an increase of 4% over 2000. Unfavorable foreign currency translation impacted revenue growth by 3%. Underlying revenue growth, which excludes the effects of foreign currency translation, resulted primarily from volume increases in all segments.

Medical revenues in 2001 increased 2% over 2000 to $2.0 billion. Excluding unfavorable foreign currency translation of an estimated 4%, underlying revenue growth was 6%. The primary growth drivers were the conversion to advanced protection devices, which contributed approximately 4% to the underlying revenue growth and prefillable syringes and other related devices, which contributed approximately 2%. Medical revenue growth also benefited from a favorable comparison with the prior year, which reflected the impact of the discontinuance of U.S. medical surgical distributor incentive programs in fiscal 2000. In addition, revenue growth was offset by a $28 million decline in sales of consumer healthcare products compared with the prior year, primarily as a result of our beginning to redirect promotional efforts toward branded syringe sales at the retail level.

Medical operating income was $447 million in 2001 compared with $395 million in 2000. Medical operating income in 2000 was negatively impacted by special charges, which are discussed below. Excluding these charges, Medical operating income grew 3%. This growth was primarily driven by the factors discussed above.

Clinical Lab revenues in 2001 rose 5% to $1.2 billion. Excluding unfavorable foreign currency translation of an estimated 3%, underlying revenue growth was 8%. The conversion to advanced protection products in the United States was the primary growth driver, contributing approximately 3% to underlying revenue growth. In addition, increased worldwide sales of the molecular diagnostic platform, *BD ProbeTec ET*, contributed 1% to underlying revenue growth. Clinical Lab revenue growth also benefited from a favorable comparison with the prior year, which reflected the impact of the discontinuance of U.S. distributor incentive programs in 2000.

Clinical Lab operating income was $213 million in 2001 compared with $170 million last year. Excluding the impact of special charges and a $5 million purchased in-process research and development charge in 2000, Clinical Lab operating income increased 17% over the prior year. This growth reflects the higher gross profit margin from our advanced protection products.

Biosciences revenues in 2001 increased 8% over 2000 to $592 million. Excluding unfavorable foreign currency translation of an estimated 3%, underlying revenue growth was 11%. Such growth was led by sales of immunocytometry products, particularly the *BD FACS* flow cytometry systems, which contributed 5% to the underlying revenue growth. In addition, sales of *BD Pharmingen* and *BD Clontech* reagents contributed 4% to the underlying revenue growth. We believe that the events of September 11 adversely affected fourth quarter 2001 revenues by as much as $5 million due to disruptions to air shipments and research and business activities at several private and government sector customers.

Biosciences operating income in 2001 was $97 million in 2001 compared with $73 million in 2000. Biosciences operating income grew 25%, excluding 2000 special charges. This performance reflects increased sales of products in 2001 with higher gross profit margins than the mix of products sold in 2000, as well as certain manufacturing and operational productivity gains. These gains were partially offset by increased research and development spending in the area of genomics research.

On a geographic basis, revenues outside the United States in 2001 were relatively the same as last year. Excluding the estimated impact of unfavorable foreign currency translation, revenues outside the United States grew 7%. Revenue growth in Europe accounted for approximately 4% of the underlying revenue growth and was led by strong sales of prefillable syringes, *BD FACS* flow cytometry systems and clinical immunology products. Revenues were adversely impacted by economic conditions in Latin America and by a decline in sales performance in Asia Pacific.

Revenues in the United States in 2001 of $2 billion increased 8%, primarily from strong sales of advanced protection devices. Revenue growth benefited from a favorable comparison due to the impact of the discontinuance of certain distributor incentive programs in 2000. Revenue growth was offset by lower sales of consumer healthcare products compared with the prior year, as discussed above.

Special charges of $58 million were recorded in 2000. These charges included $32 million relating to severance costs and $6 million of impaired assets and other exit costs associated with a worldwide organizational restructuring, which was approved in September 2000. The plan provides for the termination of approximately 600 employees, of which 540 employees have been severed as of September 30, 2001. The remaining terminations and related accrued severance are expected to be substantially completed and paid no later than the second quarter of 2002. The annual savings from the reduction in salaries and wages expense were estimated to be $30 million. As anticipated, these savings, beginning in 2001, offset incremental costs relating to programs, such as advanced protection technologies, blood glucose monitoring, molecular oncology and our enterprise-wide program to upgrade our business information systems, known internally as Genesis. Special charges in 2000 also included $20 million for estimated litigation defense costs associated with our divested latex gloves business. See "Litigation" section below for additional discussion. We also recorded other charges of $13 million in cost of products sold in 2000 relating to a product recall. These charges consisted primarily of costs associated with product returns, disposal of the affected product and other direct recall costs. For additional discussion of these charges, see Note 5 of the Notes to Consolidated Financial Statements.

Gross profit margin was 49.0% in 2001, compared with 48.9% last year. Excluding the unfavorable impact of the previously discussed other charges in 2000, gross profit margin would have been 49.3% in 2000. Gross profit margin in 2001 reflects the impact of lower sales of consumer healthcare products and unfavorable foreign exchange, offset largely by the higher gross margin from our advanced protection products. We are considering actions, beginning in 2002, to increase our operating efficiency. These actions may include a smaller scale restructuring of manufacturing facilities in the Medical segment.

Selling and administrative expense of $983 million in 2001 was 26.2% of revenues, compared to $974 million in 2000, or 26.9% of revenues. Incremental spending for growth initiatives was offset, in part, by favorable foreign currency translation and savings associated with the 2000 worldwide organizational restructuring plan.

Investment in research and development in 2001 was $212 million, or 5.6% of revenues. Research and development expense in 2000 was $219 million, or 6% of revenues, excluding an in-process research and development charge of $5 million. This charge represented the fair value of certain acquired research and development projects in the area of cancer diagnostics which were determined not to have reached technological feasibility and which do not have alternative future uses. Incremental spending was primarily in the Biosciences segment and in key initiatives, including blood glucose monitoring. Investment in research and development in 2001 reflects lower spending than in the prior year, which included clinical trial costs for the *BD Phoenix* instrument platform and costs relating to the transdermal business unit that was divested in the first quarter of this year.

Operating margin in 2001 was 17.2% of revenues. Excluding special and other charges and purchased in-process research and development charges in 2000, operating margin would have been 16.3% in 2000. The increase in operating margin reflects the revenue growth, along with the favorable effect of continued control over costs.

Net interest expense of $55 million in 2001 was $19 million lower than in 2000, primarily due to lower debt levels and lower short-term interest rates.

Other expense, net in 2001 of $14 million included foreign exchange losses of $9 million, including net hedging costs, and write-downs of equity investments to market value of $6 million. Other income, net in 2000 of $3 million included the favorable effect of legal settlements and a gain on an investment hedge that more than offset foreign exchange losses and net losses relating to assets held for sale.

The effective tax rate in 2001 was 24% compared to 24.4% in 2000, reflecting a favorable mix in income among tax jurisdictions.

Net income and diluted earnings per share before the cumulative effect of accounting change in 2001 were $438 million, or $1.63, respectively, compared with $393 million, or $1.49 in 2000. Earnings per share in 2000 would have remained $1.49, excluding special and other charges, purchased in-process research and development charges, investment gains and a favorable tax benefit from the conclusion of a number of tax examinations in 2000.

As discussed above in "Accounting Change," we adopted SAB 101, effective October 1, 2000, and recorded a cumulative effect of change in accounting principle of $37 million, net of income tax benefit of $25 million. See Note 2 of the Notes to Consolidated Financial Statements for additional discussion.

Net income in 2001 was $402 million, or $1.49 per share, after reflecting the after-tax cumulative effect of accounting change of $.14 per share.

Financial Instrument Market Risk

We selectively use financial instruments to manage the impact of foreign exchange rate and interest rate fluctuations on earnings. The counterparties to these contracts are highly-rated financial institutions, and we do not have significant exposure to any one counterparty. We do not enter into financial instruments for trading or speculative purposes.

Our foreign currency exposure is concentrated in Western Europe, Asia Pacific, Japan and Latin America. We face transactional currency exposures that arise when we enter into transactions in non-hyperinflationary countries, generally on an intercompany basis, that are denominated in currencies other than our functional currency. We hedge substantially all such foreign exchange exposures primarily through the use of forward contracts and currency options. We also face currency exposure that arises from translating the results of our worldwide operations to the U.S. dollar at exchange rates that have fluctuated from the beginning of the period. We purchase option and forward contracts 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. For foreign currency derivative instruments, market risk is determined by calculating the impact on fair value of an assumed one-time change in foreign exchange rates relative to the U.S. dollar. Fair values were estimated based on market prices, when available, or dealer quotes. The reduction in fair value of our purchased option contracts is limited to the option's fair value. With respect to the derivative instruments outstanding at September 30, 2001, a 10% appreciation of the U.S. dollar over a one-year period would increase pre-tax earnings by $34 million, while a 10% depreciation of the U.S. dollar would decrease pre-tax earnings by $15 million. Comparatively, considering our derivative instruments outstanding at September 30, 2000, a 10% appreciation of the U.S. dollar over a one-year period would have increased pre-tax earnings by $46 million, while a 10% depreciation of the U.S. dollar would have decreased pre-tax earnings by $7 million. These calculations do not reflect the impact of exchange gains or losses on the underlying positions that would be offset, in part, by the results of the derivative instruments.

Our primary interest rate exposure results from changes in short-term U.S. dollar interest rates. Our debt portfolio at September 30, 2001, is primarily U.S. dollar-denominated and is not subject to transaction or translation exposure, with less than 3% being foreign denominated. In an effort to manage interest rate exposures, we strive to achieve an acceptable balance between fixed and floating rate debt and may enter into interest rate swaps to help maintain that balance. For interest rate derivative instruments, market risk is determined by calculating the impact to fair value of an assumed one-time change in interest rates across all maturities. Fair values were estimated based on market prices, when available, or dealer quotes. A change in interest rates on short-term debt is assumed to impact earnings and cash flow but not fair value because of the short maturities of these instruments. A change in interest rates on long-term debt is assumed to impact fair value but not earnings or cash flow because the interest rates are fixed. See Note 9 of the Notes to Consolidated Financial Statements for additional discussion of our debt portfolio. Based on our overall interest rate exposure at September 30, 2001 and 2000, a change of 10% in interest rates would not have a material effect on our earnings or cash flows over a one-year period. An increase of 10% in interest rates would decrease the fair value of our long-term debt at September 30, 2001 and 2000 by approximately $45 million and $46 million, respectively. A 10% decrease in interest rates would increase the fair value of our long-term debt at September 30, 2001 and 2000 by approximately $50 million and $52 million, respectively.

See Note 10 of the Notes to Consolidated Financial Statements for additional discussion of our outstanding forward exchange contracts, currency options and interest rate swaps at September 30, 2001.

Liquidity and Capital Resources

Cash provided by operations continues to be our primary source of funds to finance operating needs and capital expenditures. In 2001, net cash provided by operating activities was $779 million, compared to $615 million in 2000. The major source of funds in 2001 was net income adjusted for non-cash items.

Capital expenditures were $371 million in 2001, compared to $376 million in the prior year. Medical and Clinical Lab capital spending, which in 2001 totaled $266 million and $62 million, respectively, included continued spending for advanced protection devices as well as various capacity expansions. Biosciences capital spending, which totaled $24 million in 2001, included spending on new manufacturing facilities. Funds expended outside the above segments included amounts related to Genesis.

Net cash used for financing activities was $201 million in 2001 as compared to $219 million during 2000. During 2001, total debt decreased $180 million, primarily as a result of increased funds from operations which were used to pay down short-term debt. Short-term debt was 37% of total debt at year end, compared to 45% at the end of 2000. Our weighted average cost of total debt at the end of 2001 was 4.8%, down from 7.0% at the end of last year due to the reduction in interest rates of short-term borrowings and the impact of interest rate swaps entered into in 2001. Debt to capitalization at year end improved to 34.1%, from 41.4% last year, reflecting the reduction in total debt discussed above. We anticipate generating excess cash in 2002, which could be available to further repay debt. Under a September 2001 Board of Directors' resolution, we are authorized to repurchase up to 10 million common shares, none of which were repurchased as of September 30, 2001. In November 2001, the Company made a $100 million cash contribution to the U.S. pension plan, which was funded by commercial paper.

In 2001, we negotiated a new $900 million syndicated line of credit, $450 million of which matures in five years, and $450 million of which matures in 364 days. There were no borrowings outstanding under this facility at September 30, 2001. This facility can be used to support our commercial paper program, under which $416 million was outstanding at September 30, 2001, and for other general corporate purposes. In addition, we have informal lines of credit outside the United States. Our long-term debt rating at September 30, 2001 was "A2" by Moody's and "A+" by Standard & Poor's.

Our commercial paper rating at September 30, 2001 was "P-1" by Moody's and "A-1" by Standard & Poor's. We continue to have a high degree of confidence in our ability to refinance maturing short-term and long-term debt, as well as to incur substantial additional debt, if required.

Return on equity was 18.7% in 2001 or, 20.3%, excluding the 2001 cumulative effect of change in accounting principle, compared with 21.1% in 2000.

We are considering the divestiture of some business units with combined revenues of less than $200 million in 2002.

Other Matters

We believe that our core products, our international diversification and our ability to meet the needs of the worldwide healthcare industry with cost-effective and innovative products will continue to cushion the long-term impact on BD of potential economic and political dislocations in the countries in which we do business, including the effects of possible healthcare system reforms. In 2001, inflation did not have a material impact on our overall operations.

Litigation

We, along with a number of other manufacturers, have been named as a defendant in approximately 482 product liability lawsuits related to natural rubber latex that have been filed in various state and Federal courts. Cases pending in Federal Court are being coordinated under the matter *In re Latex Gloves Products Liability Litigation* (MDL Docket No. 1148) in Philadelphia, and analogous procedures have been implemented in the state courts of California, Pennsylvania, New Jersey and New York. Generally, these actions allege that medical personnel have suffered allergic reactions ranging from skin irritation to anaphylaxis as a result of exposure to medical gloves containing natural rubber latex. In 1986, we acquired a business which manufactured, among other things, latex surgical gloves. In 1995, we divested this glove business. We are vigorously defending these lawsuits.

We, along with another manufacturer and several medical product distributors, have been named as a defendant in 11 product liability lawsuits relating to healthcare workers who allegedly sustained accidental needlesticks, but have not become infected with any disease.

- In California, *Chavez vs. Becton Dickinson* (Case No. 722978, San Diego County Superior Court), filed on August 4, 1998, was dismissed in a judgment filed March 19, 1999. On August 29, 2000, the appellate court affirmed the dismissal of the product liability claims, leaving only a pending statutory claim for which the court has stated the plaintiff cannot recover damages. On September 10, 2001, the parties reached a final settlement of this remaining cause of action.
- In Florida, *Delgado vs. Becton Dickinson et al*. (Case No. 98-5608, Hillsborough County Circuit Court) filed on July 24, 1998, was voluntarily withdrawn by the plaintiffs on March 8, 1999.
- In Pennsylvania, *McGeehan vs. Becton Dickinson* (Case No. 3474, Court of Common Pleas, Philadelphia County) filed on November 27, 1998, was dismissed without leave to amend in an order dated December 18, 2000.

Cases have been filed on behalf of an unspecified number of healthcare workers in eight other states, seeking class action certification under the laws of these states. Generally, these remaining actions allege that healthcare workers have sustained needlesticks using hollow-bore needle devices manufactured by BD and, as a result, require medical testing, counseling and/or treatment. Several actions additionally allege that the healthcare workers have sustained mental anguish. Plaintiffs seek money damages in all of these actions, which are pending in Ohio state court, under the caption *Grant vs. Becton Dickinson et al*. (Case No. 98 CVB075616, Franklin County Court), filed on July 22, 1998; in state court in Illinois, under the caption *McCaster vs. Becton Dickinson et al*. (Case No. 98L09478, Cook County Circuit Court), filed on August 13, 1998; in state court in Oklahoma, under the caption *Palmer vs. Becton Dickinson et al*. (Case No. CJ-98-685, Sequoyah County District Court), filed on October 27, 1998; in state court in Alabama, under the caption *Daniels vs. Becton Dickinson et al*. (Case No. CV 1998 2757, Montgomery County Circuit Court), filed on October 30, 1998; in state court in South Carolina, under the caption *Bales vs. Becton Dickinson et al*. (Case No. 98-CP-40-4343, Richland County Court of Common Pleas), filed on November 25, 1998; in state court in New Jersey, under the caption *Pollak, Swartley vs. Becton Dickinson et al*. (Case No. L-9449-98, Camden County Superior Court), filed on December 7, 1998; in state court in New York, under the caption *Benner vs. Becton Dickinson et al*. (Case No. 99-111372, Supreme Court of the State of New York), filed on June 1, 1999, and in Texas state court, under the caption *Usrey vs. Becton Dickinson et al*. (Case No. 342-173329-98, Tarrant County District Court), filed on April 9, 1998.

In Texas state court, in the matter of *Usrey vs. Becton Dickinson et al*., the Court of Appeals for the Second District of Texas filed an Opinion on August 16, 2001 reversing the trial court's certification of a class, and remanding the case to the trial court for further proceedings consistent with that opinion. Plaintiffs petitioned the appellate court for rehearing, which the Court of Appeals denied on October 25, 2001.

We continue to oppose class action certification in these cases and will continue vigorously to defend these lawsuits, including pursuing all appropriate rights of appeal.

BD has insurance policies in place, and believes that a substantial portion of defense costs and potential liability, if any, in the latex and class action matters will be covered by insurance. In order to protect our rights to coverage, we have filed an action for declaratory judgment under the caption *Becton Dickinson and Company vs. Adriatic Insurance Company et al*. (Docket No. MID-L-3649-99MT, Middlesex County Superior Court) in New Jersey state court. We have established reserves to cover reasonably-anticipated defense costs in all product liability lawsuits, including the needlestick class action and latex matters.

On January 29, 2001, Retractable Technologies, Inc. ("RTI") filed an action under the caption *Retractable Technologies, Inc. vs. Becton Dickinson and Company, et al*. (Case No. CA510V036, United States District Court, Eastern District of Texas), against BD, another manufacturer and two group purchasing organizations ("GPOs").

RTI (a manufacturer of retractable syringes) alleges that we and other defendants conspired to exclude them from the market and maintain our market share by entering into long-term contracts with GPOs in violation of state and Federal antitrust laws. Plaintiff seeks money damages. This action is in preliminary stages. Discovery commenced in October, 2001, and we are vigorously defending this action.

On May 11, 2001, CalOSHA issued a Citation and Notification of Penalty to the Kaiser Permanente Sunset facility in Los Angeles, alleging that the *BD Eclipse* blood collection device used in the laboratory at that facility did not meet the California regulatory standard for a needle with engineered sharp injury protection. The Citation did not state the factual basis of the allegation or the relief sought. Kaiser has appealed this Citation and we have intervened in the proceeding. Subsequent to the Citation, CalOSHA issued a public statement that "We are not making an announcement per se that the Eclipse device is unacceptable, but that the way it was used may be a problem. We are not saying at this time that employers should not be using this device."

We also are involved both as a plaintiff and a defendant in other legal proceedings and claims which arise in the ordinary course of business, including product liability and environmental matters.

While it is not possible to predict or determine the outcome of the above or other legal actions brought against the Company, upon resolution of such matters, BD may incur charges in excess of currently established reserves. While such future charges, individually and in the aggregate, could have a material adverse impact on our net income and net cash flows in the period in which they are recorded or paid, in the opinion of management, the results of the above matters, individually and in the aggregate, are not expected to have a material adverse effect on our consolidated financial condition.

Environmental Matters

We believe that our operations comply in all material respects with applicable laws and regulations. We are 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. For all sites, there are other potentially responsible parties that may be jointly or severally liable to pay all cleanup costs. We accrue costs for estimated environmental liabilities based upon our best estimate within the range of probable losses, without considering possible third-party recoveries. Upon resolution of these proceedings, BD may incur charges in excess of presently established accruals. While such future costs could have a material adverse impact on our net income and net cash flows in the period in which they are recorded or paid, we believe that any reasonably possible losses in excess of accruals would not have a material adverse effect on our consolidated financial position.

Adoption of New Accounting Standards

The Financial Accounting Standards Board issued, in June 2001, SFAS No. 141, "Business Combinations," SFAS No. 142, "Goodwill and Other Intangible Assets" and in August 2001, SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 141 eliminates the pooling-of-interests method of accounting for business combinations initiated after July 1, 2001, and clarifies the criteria for recognizing intangible assets apart from goodwill. The requirements of SFAS No. 141 are effective for any business combination accounted for by the purchase method that is completed after June 30, 2001. SFAS No. 142 stipulates that goodwill and indefinite-lived intangible assets will no longer be amortized, but instead will be periodically reviewed for impairment. The amortization provisions of SFAS No. 142 apply to goodwill and intangible assets acquired after June 30, 2001. For goodwill and intangible assets acquired prior to July 1, 2001, the provisions of SFAS No. 142 are effective upon adoption. SFAS No. 144 requires that one accounting model be used for long-lived assets to be disposed of by sale and it broadens the presentation of discontinued operations to include more disposal transactions. The provisions relating to long-lived assets to be disposed of by sale or otherwise are effective for disposal activities initiated by a commitment to a plan after the effective date of the Statement. We are required to adopt the provisions of these Statements no later than October 1, 2002. We are in the process of evaluating these Statements and have not yet determined the future impact on our consolidated financial statements, although the adoption of SFAS No. 142 is expected to result in additional earnings per share of approximately $.09 relating to the elimination of goodwill amortization.

2000 Compared With 1999

Worldwide revenues in 2000 were $3.6 billion, an increase of 6% over 1999. Unfavorable foreign currency translation impacted revenue growth by 2%. Underlying revenue growth was 5%, excluding the effects of foreign currency translation and acquisitions and resulted primarily from volume increases in all segments.

Beginning October 1, 2000, we revised our reporting segments. The microbiology product line was moved from Biosciences and combined with the segment formerly known as Preanalytical Solutions to form Clinical Lab.

Medical revenues in 2000 increased 2% over 1999 to $2.0 billion, with acquisitions contributing 1%. Unfavorable foreign currency translation impacted revenue growth by an estimated 3%. The underlying revenue growth of 4% was primarily due to the conversion of the U.S. market to advanced protection devices. Such growth was unfavorably affected by the impact of the discontinuance of certain distributor incentive programs in 2000 and the effect of product lines exited in 1999.

Clinical Lab revenues in 2000 rose 4% over 1999 to $1.1 billion. Unfavorable foreign currency translation impacted revenues by an estimated 2%. The underlying revenue growth of 6% was primarily due to the conversion of the U.S. market to advanced protection devices. Such growth was unfavorably affected by the impact of the discontinuance of certain distributor incentive programs and continued cost containment pricing pressures in 2000. Although infectious disease product revenues continued to be adversely affected by cost containment in testing, revenues grew at a faster rate in 2000 than in 1999 due to strong sales of clinical immunology products.

Biosciences revenues in 2000 increased 27% over 1999 to $550 million, with acquisitions contributing 15%. Unfavorable foreign currency translation impacted revenues by an estimated 2%. The underlying revenue growth of 14% was primarily from strong sales of *BD FACS* flow cytometry systems and *BD Pharmingen* reagents.

During 1999, we recorded special charges of $76 million associated with the exiting of product lines and other activities, primarily in the area of home healthcare, the impairment of assets and an enhanced voluntary retirement incentive program. We also recorded other charges of $27 million in cost of products sold in 1999 to reflect the write-off of inventories and to provide appropriate reserves for expected future returns relating to the exited product lines. The annual savings of $6 million for the 1999 restructuring plan primarily related to a reduction in salaries and wages expense resulting from the voluntary retirement program. As anticipated, these benefits, beginning in 2000, offset incremental costs relating to Genesis. In 1998, we recorded special charges of $91 million, primarily associated with the restructuring of certain manufacturing operations and the write-down of impaired assets. For the 1998 restructuring plan, the estimated annual benefits of $4 million related to reduced manufacturing costs and tax savings associated with the move of a surgical blade plant are expected to be realized following the closure of the facility. Beginning in 1999, we realized a reduction in amortization expense of $5 million, resulting from the write-down of certain assets, which offset incremental costs associated with Genesis. For additional discussion of these charges, see Note 5 of the Notes to Consolidated Financial Statements.

Gross profit margin was 48.9% in 2000, compared with 49.9% in 1999. Excluding the unfavorable impact of the previously discussed other charges in both years, gross profit margin would have been 49.3% and 50.7% in 2000 and 1999, respectively. Gross profit margin in 2000 was adversely affected by a decline in sales of higher margin products. This decline also reflects pricing pressures in certain markets and higher costs associated with the production scale-up of advanced protection devices.

Selling and administrative expense of $974 million in 2000 was 26.9% of revenues, compared to the 1999 ratio of 27.3%. Savings achieved through spending controls and productivity improvements more than offset increased investment relating to advanced protection programs, the impact of acquisitions and additional expense relating to Genesis.

Investment in research and development in 2000 was $224 million, or 6.2% of revenues, including a $5 million charge for purchased in-process research and development in the area of cancer diagnostics. Research and development expense in 1999 also included in-process research and development charges of $49 million in connection with business acquisitions. These charges represented the fair value of certain acquired research and development projects which were determined not to have alternative future uses. Excluding these charges in both years, research and development would have been 6% of revenues in both 2000 and 1999.

Operating income in 2000 was $515 million, compared to $445 million in 1999. Excluding special and other charges and purchased in-process research and development charges in both years, operating income would have been 16.3% and 17.4% of revenues in 2000 and 1999, respectively. This decline primarily reflects the decrease in gross profit margin, partially offset by selling and administrative expense leverage.

Net interest expense of $74 million in 2000 was $2 million higher in 1999. The impact in 2000 of additional 1999 borrowings to fund acquisitions was partially offset by interest refunds received in connection with the conclusion of a number of tax examinations.

Gains on investments included $73 million in 2000 relating to the sale of two equity investments, which are described more fully in Note 8 of the Notes to Consolidated Financial Statements.

Other income, net in 2000 was $4 million higher compared to 1999. The favorable effect of lower foreign exchange losses, legal settlements and a gain on an investment hedge in 2000 were partially offset by net losses relating to assets held for sale.

The effective tax rate in 2000 was 24.4%, compared to 26.0% in 1999. The lower tax rate resulted principally from adjustments relating to the conclusion of a number of tax examinations.

Net income in 2000 was $393 million, compared to $276 million in 1999. Diluted earnings per share were $1.49 in 2000, compared to $1.04 in 1999. Excluding special and other charges and purchased in-process research and development charges in both years, as well as the investment gains and favorable tax effect discussed above, earnings per share would have been unchanged from 1999.

Capital expenditures were $376 million in 2000, compared to $312 million in 1999, reflecting additional spending for capital expansion for advanced protection devices. Medical, Clinical Lab and Biosciences capital spending totaled $247 million, $66 million and $34 million, respectively, in 2000. Funds expended outside the above segments included amounts related to Genesis.

Net cash provided by financing activities was $219 million in 2000 as compared to net cash provided of $365 million during 1999. During 2000, total debt decreased $168 million, primarily as a result of increased funds from operations and a decline in accounts receivable. This decline was primarily the result of foreign currency translation and stepped up enforcement of agreed upon terms with customers. Short-term debt was 45% of total debt at year end, compared to 40% at the end of 1999.

Return on equity increased to 21.1% in 2000, from 16.3% in 1999.

Cautionary Statement Pursuant to Private Securities Litigation Reform Act of 1995–"Safe Harbor" for Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 (the "Act") provides a safe harbor for forward-looking statements made by or on behalf of BD. 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 this report and filings with the SEC and in our other reports to shareholders. Forward-looking statements may be identified by the use of words like "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 which 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 and statements expressing views about future operating results–are forward-looking statements within the meaning of the Act.

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 whether as a result of new information, future events and developments or otherwise.

The following are some important factors that could cause our actual results to differ from our expectations in any forward-looking statements:

- Regional, national and foreign economic factors, including inflation and fluctuations in interest rates and foreign currency exchange rates and the potential effect of such fluctuations on revenues, expenses and resulting margins.
- Competitive product and pricing pressures and our ability to gain or maintain market share in the global market as a result of actions by competitors, including technological advances achieved and patents attained by competitors as patents on our products expire. While we believe our opportunities for sustained, profitable growth are considerable, actions of competitors could impact our earnings, share of sales and volume growth.
- Changes in domestic and foreign healthcare resulting in pricing pressures, including the continued consolidation among healthcare providers, trends toward managed care and healthcare cost containment and government laws and regulations relating to sales and promotion, reimbursement and pricing generally.
- Fluctuations in the cost and availability of raw materials and the ability to maintain favorable supplier arrangements and relationships.
- Government laws and regulations affecting domestic and foreign operations, including those relating to trade, monetary and fiscal policies, taxation, environmental matters, price controls, licensing and regulatory approval of new products.
- 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, or gain and maintain market approval of products, and the possibility of encountering infringement claims by competitors with respect to patent or other intellectual property rights, all of which can preclude or delay commercialization of a product.
- Significant litigation adverse to BD, including product liability claims, patent infringement claims, and antitrust claims, as well as other risks and uncertainties detailed from time to time in our SEC filings.
- Our ability to achieve earnings forecasts, which are generated based on projected volumes and sales of many product types, some of which are more profitable than others. There can be no assurance that we will achieve the projected level or mix of product sales.
- Product efficacy or safety concerns resulting in product recalls, regulatory action on the part of the U.S. Food and Drug Administration (or foreign counterparts) or declining sales.
- Economic and political conditions in international markets, including civil unrest, governmental changes and restrictions on the ability to transfer capital across borders.
- Our ability to penetrate developing and emerging markets, which also depends on 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.
- The impact of business combinations, including acquisitions and divestitures, both internally for BD and externally in the healthcare industry.
- Issuance of new or revised accounting standards by the American Institute of Certified Public Accountants, the FASB or the SEC.

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.

Report of Management

The following consolidated financial statements have been prepared by management in conformity with accounting principles generally accepted in the United States and include, where required, amounts based on the best estimates and judgments of management. The integrity and objectivity of data in the financial statements and elsewhere in this Annual Report are the responsibility of management.

In fulfilling its responsibilities for the integrity of the data presented and to safeguard the Company's assets, management employs a system of internal accounting controls designed to provide reasonable assurance, at appropriate cost, that the Company's assets are protected and that transactions are appropriately authorized, recorded and summarized. This system of control is supported by the selection of qualified personnel, by organizational assignments that provide appropriate delegation of authority and division of responsibilities, and by the dissemination of written policies and procedures. This control structure is further reinforced by a program of internal audits, including a policy that requires responsive action by management.

The consolidated financial statements have been audited by Ernst & Young LLP, independent auditors, whose report follows. Their audits were conducted in accordance with auditing standards generally accepted in the United States and included a review and evaluation of the Company's internal accounting controls to the extent they considered necessary for the purpose of expressing an opinion on the consolidated financial statements. This, together with other audit procedures and tests, was sufficient to provide reasonable assurance as to the fairness of the information included in the consolidated financial statements and to support their opinion thereon.

The Board of Directors monitors the internal control system, including internal accounting controls, through its Audit Committee which consists of five outside Directors. The Audit Committee meets periodically with the independent auditors, internal auditors and financial management to review the work of each and to satisfy itself that they are properly discharging their responsibilities. The independent auditors and internal auditors have full and free access to the Audit Committee and meet with its members, with and without financial management present, to discuss the scope and results of their audits including internal control, auditing and financial reporting matters.

Edward J. Ludwig
President and Chief Executive Officer

John R. Considine
Executive Vice President and Chief Financial Officer

Richard M. Hyne
Vice President and Controller

Report of Ernst & Young LLP, Independent Auditors

To the Shareholders and Board of Directors
Becton, Dickinson and Company

We have audited the accompanying consolidated balance sheets of Becton, Dickinson and Company as of September 30, 2001 and 2000, and the related consolidated statements of income, comprehensive income, and cash flows for each of the three years in the period ended September 30, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Becton, Dickinson and Company at September 30, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2001, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the financial statements, in fiscal year 2001 the Company changed its method of accounting for revenue recognition in accordance with guidance provided in Securities and Exchange Commission Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements."

New York, New York
November 7, 2001

Financial Statements

Consolidated Statements of Income

Years Ended September 30

Thousands of dollars, except per-share amounts

	2001	2000	1999
Operations			
Revenues	**$3,754,302**	$3,618,334	$ 3,418,412
Cost of products sold	**1,913,292**	1,848,332	1,711,666
Selling and administrative expense	**983,296**	973,902	931,929
Research and development expense	**211,834**	223,782	254,016
Special charges	**—**	57,514	75,553
Total Operating Costs and Expenses	**3,108,422**	3,103,530	2,973,164
Operating Income	**645,880**	514,804	445,248
Interest expense, net	**(55,414)**	(74,197)	(72,052)
Gains on investments, net	**—**	76,213	—
Other (expense) income, net	**(13,716)**	3,114	(541)
Income Before Income Taxes and Cumulative Effect of Change in Accounting Principle	**576,750**	519,934	372,655
Income tax provision	**138,348**	127,037	96,936
Income Before Cumulative Effect of Change in Accounting Principle	**438,402**	392,897	275,719
Cumulative effect of change in accounting principle, net of tax	**(36,750)**	—	—
Net Income	**$ 401,652**	$ 392,897	$ 275,719
Basic Earnings Per Share			
Before Cumulative Effect of Change in Accounting Principle	**$ 1.69**	$ 1.54	$ 1.09
Cumulative effect of change in accounting principle, net of tax	**(0.14)**	—	—
Basic Earnings Per Share	**$ 1.55**	$ 1.54	$ 1.09
Diluted Earnings Per Share			
Before Cumulative Effect of Change in Accounting Principle	**$ 1.63**	$ 1.49	$ 1.04
Cumulative effect of change in accounting principle, net of tax	**(0.14)**	—	—
Diluted Earnings Per Share	**$ 1.49**	$ 1.49	$ 1.04

See notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

Years Ended September 30
Thousands of dollars

	2001	2000	1999
Net Income	**$401,652**	$392,897	$275,719
Other Comprehensive Loss, Net of Tax			
Foreign currency translation adjustments	**(38,704)**	(161,304)	(96,548)
Unrealized (losses) gains on investments, net of amounts realized	**(3,616)**	2,558	(2,879)
Unrealized losses on currency options, net of amounts realized	**(4,013)**	—	—
Other Comprehensive Loss	**(46,333)**	(158,746)	(99,427)
Comprehensive Income	**$355,319**	$234,151	$176,292

See notes to consolidated financial statements

Consolidated Balance Sheets

September 30

Thousands of dollars, except per-share amounts

	2001	2000
Assets		
Current Assets		
Cash and equivalents	**$ 82,129**	$ 49,196
Short-term investments	**4,571**	5,561
Trade receivables, net	**768,047**	751,720
Inventories	**707,744**	678,676
Prepaid expenses, deferred taxes and other	**200,451**	175,524
Total Current Assets	**1,762,942**	1,660,677
Property, Plant and Equipment, Net	**1,716,023**	1,576,058
Goodwill, Net	**431,452**	466,343
Core and Developed Technology, Net	**304,688**	309,061
Other Intangibles, Net	**164,643**	172,720
Other	**422,539**	320,237
Total Assets	**$4,802,287**	$4,505,096
Liabilities		
Current Liabilities		
Short-term debt	**$ 454,012**	$ 637,735
Accounts payable	**205,046**	183,967
Accrued expenses	**352,589**	282,672
Salaries, wages and related items	**202,900**	216,884
Income taxes	**50,129**	32,280
Total Current Liabilities	**1,264,676**	1,353,538
Long-Term Debt	**782,996**	779,569
Long-Term Employee Benefit Obligations	**335,731**	329,497
Deferred Income Taxes and Other	**90,117**	86,494
Commitments and Contingencies	**—**	—
Shareholders' Equity		
ESOP convertible preferred stock–$1 par value: authorized–1,016,949 shares; issued and outstanding–686,922 shares in 2001 and 738,472 shares in 2000	**40,528**	43,570
Preferred stock, series A–$1 par value: authorized–500,000 shares; none issued	**—**	—
Common stock–$1 par value: authorized–640,000,000 shares; issued–332,662,160 shares in 2001 and 2000	**332,662**	332,662
Capital in excess of par value	**148,690**	75,075
Retained earnings	**3,137,304**	2,835,908
Unearned ESOP compensation	**(12,001)**	(16,155)
Deferred compensation	**7,096**	6,490
Common shares in treasury–at cost–73,425,478 shares in 2001 and 79,165,708 shares in 2000	**(937,790)**	(980,163)
Accumulated other comprehensive loss	**(387,722)**	(341,389)
Total Shareholders' Equity	**2,328,767**	1,955,998
Total Liabilities and Shareholders' Equity	**$4,802,287**	$4,505,096

See notes to consolidated financial statements

Consolidated Statements of Cash Flows

Years Ended September 30
Thousands of dollars

	2001	2000	1999
Operating Activities			
Net income	**$ 401,652**	$ 392,897	$ 275,719
Adjustments to net income to derive net cash provided by operating activities:			
Depreciation and amortization	**305,700**	288,255	258,863
Cumulative effect of change in accounting principle, net of tax	**36,750**	—	—
Non-cash special charges	**—**	4,543	57,538
Deferred income taxes	**37,400**	37,246	4,575
Gains on investments, net	**—**	(76,213)	—
Purchased in-process research and development from business combinations	**—**	—	48,800
Change in operating assets (excludes impact of acquisitions):			
Trade receivables	**(34,063)**	11,688	(94,371)
Inventories	**(32,290)**	(64,663)	(131,592)
Prepaid expenses, deferred taxes and other	**(18,652)**	(12,106)	(24,520)
Accounts payable, income taxes and other liabilities	**67,519**	44,854	17,009
Other, net	**14,629**	(11,008)	19,771
Net Cash Provided by Operating Activities	**778,645**	615,493	431,792
Investing Activities			
Capital expenditures	**(370,754)**	(376,372)	(311,547)
Acquisitions of businesses, net of cash acquired	**(30,953)**	(21,272)	(374,221)
(Purchases) proceeds of short-term investments, net	**(530)**	1,299	3,452
Proceeds from sales of long-term investments	**7,632**	101,751	—
Purchases of long-term investments	**(24,938)**	(9,273)	(25,065)
Capitalized software	**(72,231)**	(50,397)	(65,036)
Other, net	**(50,155)**	(49,135)	(43,431)
Net Cash Used for Investing Activities	**(541,929)**	(403,399)	(815,848)
Financing Activities			
Change in short-term debt	**(82,600)**	(98,496)	346,772
Proceeds of long-term debt	**2,987**	948	197,534
Payment of long-term debt	**(103,104)**	(60,923)	(118,332)
Issuance of common stock	**82,925**	34,724	26,803
Dividends paid	**(101,329)**	(95,749)	(88,050)
Net Cash (Used for) Provided by Financing Activities	**(201,121)**	(219,496)	364,727
Effect of exchange rate changes on cash and equivalents	**(2,662)**	(3,334)	(3,990)
Net Increase (Decrease) in Cash and Equivalents	**32,933**	(10,736)	(23,319)
Opening Cash and Equivalents	**49,196**	59,932	83,251
Closing Cash and Equivalents	**$ 82,129**	$ 49,196	$ 59,932

See notes to consolidated financial statements

Notes to Consolidated Financial Statements

Thousands of dollars, except per-share amounts

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1 Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Becton, Dickinson and Company and its majority-owned subsidiaries after the elimination of intercompany transactions.

Cash Equivalents

Cash equivalents are stated at cost plus accrued interest, which approximates market. The Company considers all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents.

Inventories

Inventories are stated at the lower of cost or market. The Company uses the last-in, first-out ("LIFO") method of determining cost for substantially all inventories in the United States. All other inventories are accounted for using the first-in, first-out ("FIFO") method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are principally provided on the straight-line basis over estimated useful lives which range from 20 to 45 years for buildings, four to 10 years for machinery and equipment and three to 20 years for leasehold improvements. Depreciation expense was $179,411, $168,846 and $158,202 in fiscal 2001, 2000 and 1999, respectively.

Intangibles

Goodwill and core and developed technology arise from acquisitions. Goodwill is amortized over periods principally ranging from 10 to 40 years, using the straight-line method. Core and developed technology is amortized over periods ranging from 15 to 20 years, using the straight-line method. Other intangibles, which include patents, are amortized over periods principally ranging from three to 40 years, using the straight-line method. Intangibles are periodically reviewed to assess recoverability from future operations using undiscounted cash flows. To the extent carrying values exceed fair values, an impairment loss is recognized in operating results. See Note 2 for discussion of the pending adoption of new accounting standards.

Revenue Recognition

In the fourth quarter of 2001, the Company adopted the provisions of Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements," ("SAB 101") retroactive to October 1, 2000. Upon adoption of this SAB, the Company changed its accounting method for recognizing revenue on the sale of instruments in the Biosciences segment. Revenue will now be recognized for these instruments upon completion of installation at the customer's site. The Company also changed its accounting method for revenue recognition related to branded insulin syringe products sold under incentive programs to distributors in the U.S. consumer trade channel. Revenue will now be recognized for these sales upon the sell-through of such product from the distribution channel partner to the end customer. See Note 2 for additional discussion of the accounting change. Substantially all other revenue is recognized when products are shipped to customers.

Shipping and Handling Costs

Shipping and handling costs are included in Selling and administrative expense. Shipping expense was $164,401, $148,571 and $135,209 in fiscal 2001, 2000 and 1999, respectively.

Warranty

Estimated future warranty obligations related to applicable products are provided by charges to operations in the period in which the related revenue is recognized.

Income Taxes

United States income taxes are not provided on substantially all undistributed earnings of foreign subsidiaries since the subsidiaries reinvest such earnings or remit them to the Company without tax consequence. Income taxes are provided and tax credits are recognized based on tax laws enacted at the dates of the financial statements.

Earnings Per Share

Basic earnings per share are computed based on the weighted average number of common shares outstanding. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions. These estimates or assumptions affect reported assets, liabilities, revenues and expenses as reflected in the financial statements. Actual results could differ from these estimates.

Derivative Financial Instruments

The Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, effective October 1, 2000, as discussed in Note 10. This Statement requires that all derivatives be recorded in the balance sheet at fair value and that changes in fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The cumulative effect of adoption was not material to the Company's results of operations or financial condition.

Derivative financial instruments are utilized by the Company in the management of its foreign currency and interest rate exposures. The Company hedges its foreign currency exposures by entering into offsetting forward exchange contracts and currency options, when it deems appropriate. The Company also occasionally enters into interest rate swaps, interest rate caps, interest rate collars, and forward rate agreements in order to reduce the impact of fluctuating interest rates on its short-term debt and investments. In connection with issuances of long-term debt, the Company may also enter into forward rate agreements in order to protect itself from fluctuating interest rates during the period in which the sale of the debt is being arranged. The Company also occasionally enters into forward contracts in order to reduce the impact of fluctuating market values on its available-for-sale securities as defined by SFAS No. 115. The Company does not use derivative financial instruments for trading or speculative purposes.

Any deferred gains or losses associated with derivative instruments, which on infrequent occasions may be terminated prior to maturity, are recognized in income in the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instrument, such instrument would be closed and the resultant gain or loss would be recognized in income.

Stock-Based Compensation

Under the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," the Company accounts for stock-based employee compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the exercise price.

2 Accounting Changes

In December 1999, the Securities and Exchange Commission ("SEC") issued SAB 101, "Revenue Recognition in Financial Statements." SAB 101 provided the SEC's views in applying generally accepted accounting principles to selected revenue recognition issues for which explicit guidance had not previously been available. The Company adopted the provisions of this SAB in the fourth quarter of 2001, retroactive to October 1, 2000, and as a result, recorded the following accounting changes.

The Company changed its accounting method for revenue recognition related to branded insulin syringe products that are sold under incentive programs to distributors in the U.S. consumer trade channel. These partners have implied rights of return on unsold merchandise held by them. The Company previously recognized all incentive program revenue upon shipment to these customers, net of appropriate allowances for sales returns. Effective October 1, 2000, the Company changed its method of accounting for revenue related to these product sales to recognize such revenues upon the sell-through of the respective product from the distribution channel partner to the end customer. The Company believes this change in accounting principle is the preferable method. The cumulative effect of this change in accounting method was a charge of $52,184 or $30,789, net of taxes.

The Company also changed its accounting method for recognizing revenue on instruments in the Biosciences segment. Prior to the adoption of SAB 101, the Company's accounting policy was to recognize revenue upon delivery of instruments to customers but prior to installation at the customer's site. The Company had routinely completed such installation services successfully in the past, but a substantive effort is required for the installation of these instruments and only the Company can perform the service. Therefore, effective October 1, 2000, the Company recognizes revenues for these instruments upon completion of installation at the customer's site. The cumulative effect of this change in accounting method was a charge of $9,772, or $5,961, net of taxes.

The total cumulative effect of these accounting changes on prior years resulted in a charge to income of $36,750 for the year ended September 30, 2001. Of the $80,700 of revenues included in the cumulative effect adjustment, $44,300 and $28,500 were included in the restated revenues for the first and second quarters of fiscal 2001, respectively, with the remainder substantially recognized by the end of the third quarter. The adoption of SAB 101 increased Biosciences revenues for the year by approximately $3,400 and decreased Medical Systems revenues for the year by about $3,100. Consequently, the adoption of SAB 101 had an immaterial effect on revenues for the year ended September 30, 2001.

As of September 30, 2001, the deferred profit balance recorded as Accrued Expenses was $62,100.

The following pro forma data summarize the results of operations for the years ended September 30, 2000 and 1999 as if the accounting change was made retroactively.

	2000		1999	
	As Reported	**Pro Forma**	As Reported	Pro Forma
Net Income	**$392,897**	**$385,721**	$275,719	$269,906
Earnings Per Share				
Basic	**1.54**	**1.52**	1.09	1.07
Diluted	**1.49**	**1.46**	1.04	1.02

The Company restated its results for the first three quarters of the year ended September 30, 2001, as reflected in the Quarterly Data on page 48.

Adoption of New Accounting Standards

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 eliminates the pooling-of-interests method of accounting for business combinations initiated after July 1, 2001, and clarifies the criteria for recognizing intangible assets apart from goodwill. The requirements of SFAS No. 141 are effective for any business combination accounted for by the purchase method that is completed after June 30, 2001. SFAS No. 142 stipulates that goodwill and indefinite-lived intangible assets will no longer be amortized, but instead will be periodically reviewed for impairment. The amortization provisions of SFAS No. 142 apply to goodwill and intangible assets acquired after June 30, 2001. For goodwill and intangible assets acquired prior to July 1, 2001, the provisions of Statement 142 are effective upon adoption. The Company recorded goodwill amortization of $32,000 in 2001.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This Statement requires that one accounting model be used for long-lived assets to be disposed of by sale and it broadens the presentation of discontinued operations to include more disposal transactions. The provisions relating to long-lived assets to be disposed of by sale or otherwise are effective for disposal activities initiated by a commitment to a plan after the effective date of the Statement.

The Company is required to adopt the provisions of these statements no later than October 1, 2002. The Company is in the process of evaluating these Statements and has not yet determined the future impact on its consolidated financial statements.

3 Employee Stock Ownership Plan/Savings Incentive Plan

The Company has an Employee Stock Ownership Plan ("ESOP") as part of its voluntary defined contribution plan (Savings Incentive Plan) covering most domestic employees. The ESOP is intended to satisfy all or part of the Company's obligation to match 50% of employees' contributions, up to a maximum of 3% of each participant's salary. To accomplish this, in 1990, the ESOP borrowed $60,000 in a private debt offering and used the proceeds to buy the Company's ESOP convertible preferred stock. Each share of preferred stock has a guaranteed liquidation value of $59 per share and is convertible into 6.4 shares of the Company's common stock. The preferred stock pays an annual dividend of $3.835 per share, a portion of which is used by the ESOP, together with the Company's contributions, to repay the ESOP debt. Since the ESOP debt is guaranteed by the Company, it is reflected on the consolidated balance sheet as short-term and long-term debt with a related amount shown in the shareholders' equity section as Unearned ESOP compensation.

The amount of ESOP expense recognized is equal to the cost of the preferred shares allocated to plan participants and the ESOP interest expense for the year, reduced by the amount of dividends paid on the preferred stock.

For the plan year ended June 30, 1999, preferred shares accumulated in the trust in excess of the Company's matching obligation due to the favorable performance of the Company's common stock in previous years. As a result, the Company matched up to an additional 1% of each eligible participant's salary. This increase in the Company's contribution was distributed in September 1999.

Selected financial data pertaining to the ESOP/Savings Incentive Plan follow:

	2001	2000	1999
Total expense of the Savings Incentive Plan	**$2,989**	$3,442	$3,851
Compensation expense (included in total expense above)	**$1,855**	$2,017	$1,845
Dividends on ESOP shares used for debt service	**$2,721**	$2,916	$3,114
Number of preferred shares allocated at September 30	**457,921**	441,530	411,727

The Company guarantees employees' contributions to the fixed income fund of the Savings Incentive Plan. The amount guaranteed was $96,454 at September 30, 2001.

4 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 health care and life insurance benefits to qualifying domestic retirees. Postretirement benefit plans in foreign countries are not material.

In September 2000, the Compensation and Benefits Committee of the Company's Board of Directors rescinded its January 1999 approval for design changes to the U.S. pension plan to reflect a pension equity formula. The U.S. pension plan had been remeasured as of January 31, 1999 and the net periodic pension cost in 1999 and the benefit obligations at September 30, 1999 reflected the approval of this change. As a result of the September 2000 rescission, the U.S. pension plan benefit obligations at September 30, 2000 reflect the previous "final average pay" plan.

The change in benefit obligation, change in plan assets, funded status and amounts recognized in the consolidated balance sheets at September 30, 2001 and 2000 for these plans were as follows:

	Pension Plans		Other Postretirement Benefits	
	2001	2000	**2001**	2000
Change in benefit obligation:				
Benefit obligation at beginning of year	**$ 654,588**	$ 614,591	**$ 185,425**	$ 181,830
Service cost	**33,121**	32,743	**2,418**	2,236
Interest cost	**46,344**	43,213	**13,841**	13,505
Plan amendments	**2,503**	17,351	**(2,500)**	45
Benefits paid	**(51,660)**	(55,196)	**(16,031)**	(15,967)
Actuarial loss	**25,914**	20,465	**16,858**	3,776
Curtailment gain	**—**	(1,887)	**—**	—
Settlement	**(4,335)**	—	**—**	—
Other, primarily translation	**917**	(16,692)	**—**	—
Benefit obligation at end of year	**$ 707,392**	$ 654,588	**$ 200,011**	$ 185,425
Change in plan assets:				
Fair value of plan assets at beginning of year	**$ 592,835**	$ 598,509	**$ —**	$ —
Actual return on plan assets	**(62,126)**	48,454	**—**	—
Employer contribution	**14,697**	16,787	**—**	—
Benefits paid	**(51,660)**	(55,196)	**—**	—
Settlement	**(4,335)**	—	**—**	—
Other, primarily translation	**1,502**	(15,719)	**—**	—
Fair value of plan assets at end of year	**$ 490,913**	$ 592,835	**$ —**	$ —
Funded status:				
Unfunded benefit obligation	**$(216,479)**	$ (61,753)	**$(200,011)**	$(185,425)
Unrecognized net transition obligation	**1,325**	1,601	**—**	—
Unrecognized prior service cost	**(1,646)**	(4,536)	**(44,084)**	(47,602)
Unrecognized net actuarial loss (gain)	**119,662**	(27,003)	**39,495**	22,893
Accrued benefit cost	**$ (97,138)**	$ (91,691)	**$(204,600)**	$(210,134)
Amounts recognized in the consolidated balance sheets consisted of:				
Prepaid benefit cost	**$ 17,410**	$ 13,519	**$ —**	$ —
Accrued benefit liability	**(114,548)**	(105,210)	**(204,600)**	(210,134)
Net amount recognized	**$ (97,138)**	$ (91,691)	**$(204,600)**	$(210,134)

Foreign pension plan assets at fair value included in the preceding table were $125,568 and $131,938 at September 30, 2001 and 2000, respectively. The foreign pension plan projected benefit obligations were $147,283 and $137,360 at September 30, 2001 and 2000, respectively.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $35,257, $29,653 and $18,349, respectively as of September 30, 2001 and $38,960, $33,169 and $18,539, respectively as of September 30, 2000.

Net pension and postretirement expense included the following components:

	Pension Plans			Other Postretirement Benefits		
	2001	2000	1999	**2001**	2000	1999
Components of net pension and postretirement costs:						
Service cost	**$33,121**	$ 32,743	$ 33,204	**$ 2,418**	$ 2,237	$ 3,147
Interest cost	**46,344**	43,213	41,007	**13,841**	13,505	11,935
Expected return on plan assets	**(58,203)**	(58,880)	(60,837)	**—**	—	—
Amortization of prior service cost	**(282)**	(1,212)	(687)	**(6,017)**	(6,017)	(6,021)
Amortization of (gain) loss	**(268)**	(659)	(306)	**363**	694	1,460
Amortization of net obligation	**22**	(575)	(598)	**—**	—	—
Curtailment gain	**—**	(1,528)	(1,917)	**—**	—	—
Special termination benefits	**—**	143	—	**—**	—	—
Net pension and postretirement costs	**$20,734**	$ 13,245	$ 9,866	**$10,605**	$10,419	$10,521

Net pension expense attributable to foreign plans included in the preceding table was $7,189, $8,580 and $8,721 in 2001, 2000 and 1999, respectively.

As discussed in Note 5, the Company recorded special charges in 1999 relating to an enhanced voluntary retirement incentive program. These charges included $7,828 and $5,412 of special termination benefits relating to pension benefits and postretirement benefits, respectively.

The assumptions used in determining benefit obligations were as follows:

	Pension Plans		Postretirement Benefits	
	2001	2000	**2001**	2000
Discount rate:				
U.S. plans	**7.50%**	7.75%	**7.50%**	7.75%
Foreign plans (average)	**5.74%**	6.07%	**—**	—
Expected return on plan assets:				
U.S. plans	**10.75%**	11.00%	**—**	—
Foreign plans (average)	**7.37%**	7.14%	**—**	—
Rate of compensation increase:				
U.S. plans	**4.25%**	4.25%	**4.25%**	4.25%
Foreign plans (average)	**3.51%**	3.56%	**—**	—

Health care cost trends of 7% and 9%, respectively, pre-age 65 and 6% post-age 65 were assumed in the valuation of postretirement healthcare benefits at September 30, 2001 and 2000. The pre-age 65 rates were assumed to decrease to an ultimate rate of 6% beginning in 2003. A one percentage point increase in healthcare cost trend rates in each year would increase the accumulated postretirement benefit obligation as of September 30, 2001 by $10,545 and the aggregate of the service cost and interest cost components of 2001 annual expense by $791. A one percentage point decrease in the healthcare cost trend rates in each year would decrease the accumulated postretirement benefit obligation as of September 30, 2001 by $9,686 and the aggregate of the 2001 service cost and interest cost by $727.

The Company utilizes a service-based approach in applying the provisions of SFAS No. 112, "Employers' Accounting For Postemployment Benefits," for most of its postemployment benefits. Such an approach recognizes that actuarial gains and losses may result from experience that differs from baseline assumptions. Postemployment benefit costs were $15,107, $22,364 and $22,842, in 2001, 2000 and 1999, respectively.

5 Special and Other Charges

The Company recorded special charges of $57,514, $75,553 and $90,945 in fiscal years 2000, 1999 and 1998, respectively.

Fiscal Year 2000

The Company developed a worldwide organizational restructuring plan to align its existing infrastructure with its projected growth programs. This plan included the elimination of open positions and employee terminations from all businesses, functional areas and regions for the sole purpose of cost reduction. As a result of the approval of this plan in September 2000, the Company recorded $33,000 of exit costs, of which $31,700 related to severance costs. This plan provides for the termination of approximately 600 employees. As of September 30, 2001, approximately 540 of the targeted 600 had been severed. The remaining terminations and related accrued severance are expected to be substantially completed and paid no later than the second quarter of 2002.

Asset impairments relating to this restructuring plan totaled $4,514 and represented the write-down to fair value less cost to sell of assets held for sale or disposal in the Medical Systems segment. Also included in special charges in 2000 was $20,000 for estimated litigation defense costs associated with the Company's latex glove business, which was divested in 1995. Further discussion of legal proceedings is included in Note 13.

A summary of the 2000 special charge accrual activity follows:

	Severance	Restructuring	Other
Accrual Balance at September 30, 2000	$31,700	$1,300	$20,000
Payments	(25,400)	(100)	(8,300)
Accrual Balance at September 30, 2001	$ 6,300	$1,200	$11,700

The Company also recorded $13,100 of charges in Cost of products sold in the second quarter of fiscal 2000, associated with a product recall. These charges consisted primarily of costs associated with product returns, disposal of affected product, and other direct recall costs.

Fiscal Year 1999

In an effort to better focus its business and improve its future financial performance, the Company decided in the third quarter of fiscal 1999 to exit certain product lines and other activities, primarily in the Medical Systems segment. The product lines were in the area of home healthcare and represented new products that included self-monitoring devices for blood pressure, ear and heart. These products did not gain the expected market acceptance and the Company decided to discontinue these products due to poor performance.

Included in 1999 special charges were exit costs relating to this plan of $21,000. Such costs included approximately $11,500 for the settlement of contractual obligations with suppliers, $6,800 for the write-off of prepaid expenses associated with contractual obligations to purchase laboratory services and inventory to be manufactured by third parties in the future, and $2,700 of severance costs. This exit plan, which involved the termination of 61 employees, was completed and substantially all accrued liabilities were paid within one year, as anticipated. Also included in 1999 special charges were the write-off of impaired assets relating to the plan of $25,100. Such write-offs included $14,800 related to goodwill, $9,000 to licenses and $1,300 to molds, all of which were written down to zero. Assets were taken out of service immediately after the write-down occurred and were subsequently scrapped.

The Company also reversed $6,300 of 1998 special charges in 1999 as a result of the decision not to exit certain activities as had originally been planned.

Also included in special charges in 1999 were costs associated with a voluntary retirement program offered to 176 employees meeting certain age and service requirements at selected locations. A total of 133 participants accepted the program, resulting in a $17,900 charge for special termination benefits, of which $4,400 related to severance. This program was completed within one year, as anticipated.

Special charges for 1999 also included $17,853 of other charges. Of this amount, $8,153 related to the write-down of three equity investments whose decline in fair value was deemed other than temporary. Also included was $7,200 relating to three intangible assets that were deemed impaired. The decision to exit certain product development ventures and realign the Company's direction in other areas in the third quarter of fiscal 1999 resulted in the need to review for impairments. At that time, it was determined that an impairment loss existed for these assets. The impairment loss, which related primarily to the Medical Systems segment, represented the excess carrying values over the fair values for these assets, based on discounted cash flow estimates. This charge also included a $2,500 settlement payment relating to the exiting of a joint venture agreement with a pump manufacturer.

A summary of the 1999 special charge accrual activity follows:

	Severance	Restructuring	Other
1999 Special Charges	$ 7,100	$11,700	$ 2,500
Payments	(3,300)	(6,600)	(2,500)
Accrual Balance at September 30, 1999	3,800	5,100	—
Payments	(2,900)	(5,100)	—
Accrual Balance at September 30, 2000	900	—	—
Payments	(900)	—	—
Accrual Balance at September 30, 2001	$ —	$ —	$ —

The Company also recorded $26,868 of charges in Cost of products sold in 1999, to reflect the write-off of inventories and to provide appropriate reserves for expected future returns relating to the exited product lines.

Fiscal Year 1998

In an effort to improve manufacturing efficiencies at certain locations, the Company initiated in 1998 two restructuring plans: the closing of a surgical blade plant in Hancock, New York and the consolidation of other production functions in Brazil, Spain, Australia and France. Total charges of $35,300 were recorded in 1998 relating to these restructuring plans, primarily in the Medical Systems segment, and consisted of $15,400 relating to severance and other employee termination costs, $15,400 relating to manufacturing equipment write-offs and $4,500 relating to remaining lease obligations.

The original anticipated completion date for the Hancock facility closing was May 2000. The Company had estimated that approximately 200 employees would be terminated and recorded a $9,900 charge relating to severance and a $2,400 charge relating to other employee termination costs. Severance was originally estimated based on the severance arrangement communicated to employees in June 1998. The shutdown of the Hancock facility involved the transfer of three major production lines to new locations. Two of these production moves occurred in September 1999, as planned. At that time, a total of 50 employees were terminated and severance was paid and charged against the reserve. The move of the remaining production line for surgical blades has been delayed due to the following events:

1. The original plan did not anticipate the need for safety stock to serve the blade market during the move since the Company planned to use a new blade grinding technology that would allow for parallel production of blades during the eventual wind down and phase out of the old technology in Hancock. Problems arose with this new technology during fiscal 1999, which resulted in the Company's decision to maintain the existing technology. In addition, the blade business experienced a surge in demand for surgical blades around the world, particularly in Europe, between October 1998 and June 1999. This increased demand seriously hampered the Company's ability to build the required inventory levels to enable a move by May 2000. As a result, the Hancock closure date was revised to the latter part of fiscal 2001.
2. During the latter part of fiscal 1999 and early fiscal 2000, the U.S. healthcare marketplace experienced increased activity in the area of healthcare worker safety and sharp device injuries. In response to this significant shift in the marketplace and the enactment of state laws and the expected enactment of federal law requiring the use of safety-engineered products, the Company re-prioritized its efforts to deliver safety surgical blades to the marketplace. This decision resulted in an extension of the timeline necessary to enable the blade production move and the closure of the Hancock facility.

The Company now expects the Hancock restructuring plan to be completed and the related accruals to be substantially paid by December 2002. The severance estimates have increased as a result of the extension of the Hancock final closing date. The impact of the estimated increase in severance costs was offset by savings from certain other factors, including lower actual salary increases, and lower outplacement fees than were originally anticipated. The remaining 150 employees will be terminated upon closure of the plant.

The Company originally scheduled to complete the consolidation of the other production facilities within twelve to eighteen months from the date the plans were finalized. Approximately 150 employees were estimated to be affected by these consolidations. Exit costs of approximately $23,000 associated with these activities included $3,100 of severance costs, with the remainder primarily related to write-offs of manufacturing equipment with a fair value of zero. At the time, the Company expected to remove all such assets, with the exception of Brazil and Spain manufacturing assets, from operations by September 1998. The Company reversed $6,300 of the charges relating to the Brazil and Spain restructuring plans in fiscal 1999 as a result of the decision not to exit certain production activities as had originally been planned. The Company also recorded a catch-up adjustment to cost of sales for depreciation not taken since the initial write-off of assets relating to these locations. The remaining consolidation activities in Australia and France were completed as planned, with a total of approximately 30 employees terminated.

The Company also recorded $37,800 of special charges to recognize impairment losses on other non-manufacturing assets. Approximately $25,600 of this charge related to the write-down of goodwill and other assets associated with prior acquisitions in the area of manual microbiology. The impairment loss was recorded as a result of the carrying value of these assets exceeding their fair value, calculated on the basis of discounted estimated future cash flows. The carrying amount of such goodwill and other intangibles was $24,000. The balance of the impairment loss of $1,600 was recognized as a write-down of related fixed assets. Also included in the $37,800 charge was a $4,700 write-down of a facility held for sale, which was subsequently sold in fiscal 2000 at its adjusted book value.

The remaining special charges of $17,845 primarily consisted of $12,300 of estimated litigation defense costs associated with the Company's latex glove business, which was divested in 1995, as well as a number of miscellaneous asset write-downs.

A summary of the 1998 special charge accrual activity follows:

	Severance	Restructuring	Other
1998 Special Charges	$13,000	$4,500	$15,100
Payments	(500)	(50)	(2,400)
Accrual Balance at September 30, 1998	12,500	4,450	12,700
Reversals	(1,500)	—	—
Payments	(1,700)	(300)	(6,600)
Accrual Balance at September 30, 1999	9,300	4,150	6,100
Payments	(1,900)	(2,400)	(4,500)
Accrual Balance at September 30, 2000	7,400	1,750	1,600
Payments	(500)	(250)	(300)
Accrual Balance at September 30, 2001	$ 6,900	$1,500	$ 1,300

Other accruals of $15,100 primarily represented the estimated litigation defense costs, as discussed above.

6 Acquisitions

In January 2001, the Company completed its acquisition of Gentest Corporation, a privately-held company serving the life sciences market in the areas of drug metabolism and toxicology testing of pharmaceutical candidates. The purchase price was approximately $29,000 in cash, subject to certain post-closing adjustments. Unaudited pro forma consolidated results, after giving effect to this acquisition, would not have been materially different from the reported amounts for either 2001 or 2000.

During fiscal year 1999, the Company acquired 10 businesses for an aggregate of $381,530 and 357,522 shares of the Company's stock. The Company also granted options to purchase 73,074 shares of the Company's common stock to eligible employees of one of the acquired companies. Included in 1999 acquisitions is the purchase of Clontech Laboratories, Inc. ("Clontech") for approximately $201,000 in cash. Intangibles related to Clontech are being amortized on a straight-line basis over their useful lives, which range from 10 to 15 years. Unaudited pro forma consolidated results, after giving effect to the businesses acquired during fiscal 1999, would not have been materially different from the reported amounts for 1999.

The 1999 results of operations included charges of $48,800 for purchased in-process research and development in connection with three of these acquisitions, including a $32,000 charge related to the Clontech acquisition. These charges represent the fair value of certain acquired research and development projects that were determined to have not reached technological feasibility and did not have alternative future uses. For the acquisition of Clontech, the charge for purchased in-process research and development represented the value of several projects relating to gene chip technology, gene expression and gene cloning and reporter tools. These charges represented the fair value for all such projects based on discounted net cash flows. These cash flows were based on management's estimates of future revenues and expected profitability of each product/technology. The rate used to discount these projected cash flows accounts for both the time value of money, as well as the risks of realization of the cash flows.

The aggregate fair value of assets acquired and liabilities assumed for 1999 acquisitions is summarized below, after giving effect to the write-off of purchased in-process research and development:

Working capital	$ 31,669
Property, plant and equipment	10,044
Goodwill	195,938
Core and developed technology	130,406
Other intangibles	51,643
Other assets	2,308
Deferred income taxes and other	(75,937)

All acquisitions were recorded under the purchase method of accounting and, therefore, the purchase prices have been allocated to assets acquired and liabilities assumed based on estimated fair values. The results of operations of the acquired companies were included in the consolidated results of the Company from their respective acquisition dates.

7

Income Taxes

The provision for income taxes is composed of the following charges (benefits):

	2001	2000	1999
Current:			
Domestic:			
Federal	**$ 49,053**	$ 20,201	$ 27,303
State and local, including Puerto Rico	**7,728**	13,843	12,127
Foreign	**44,167**	55,747	52,931
	100,948	89,791	92,361
Deferred:			
Domestic	**29,342**	35,029	15,138
Foreign	**8,058**	2,217	(10,563)
	37,400	37,246	4,575
	$138,348	$127,037	$ 96,936

In accordance with SFAS No. 109, "Accounting for Income Taxes," deferred tax assets and liabilities are netted on the balance sheet by separate tax jurisdictions. At September 30, 2001 and 2000, net current deferred tax assets of $64,121 and $65,731, respectively, were included in Prepaid expenses, deferred taxes and other. There were no net non-current deferred tax assets in 2001. Net non-current deferred tax assets of $917 in 2000 were included in Other non-current assets. Net current deferred tax liabilities of $744 and $991, respectively, were included in Current Liabilities–Income taxes. Net non-current deferred tax liabilities of $57,318 and $51,117, respectively, were included in Deferred Income Taxes and Other. Deferred taxes are not provided on substantially all undistributed earnings of foreign subsidiaries. At September 30, 2001, the cumulative amount of such undistributed earnings approximated $1,428,000 against which substantial tax credits are available. Determining the tax liability that would arise if these earnings were remitted is not practicable.

Deferred income taxes at September 30 consisted of:

	2001		2000		1999	
	Assets	**Liabilities**	Assets	Liabilities	Assets	Liabilities
Compensation and benefits	**$155,889**	**$ —**	$158,167	$ —	$150,214	$ —
Property and equipment	**—**	**118,223**	—	109,419	—	92,608
Purchase acquisition adjustments	**—**	**87,603**	—	98,472	—	104,269
Other	**172,981**	**110,338**	199,726	118,186	187,626	70,867
	328,870	**316,164**	357,893	326,077	337,840	267,744
Valuation allowance	**(6,647)**	**—**	(17,276)	—	(11,157)	—
	$322,223	**$316,164**	$340,617	$326,077	$326,683	$267,744

A reconciliation of the federal statutory tax rate to the Company's effective tax rate follows:

	2001	2000	1999
Federal statutory tax rate	**35.0%**	35.0%	35.0%
State and local income taxes, net of federal tax benefit	**.6**	.9	.4
Effect of foreign and Puerto Rican income and foreign tax credits	**(8.2)**	(8.7)	(10.8)
Research tax credit	**(2.0)**	(1.6)	(2.5)
Purchased in-process research and development	**—**	.3	4.6
Adjustments to estimated liability for prior years' taxes	**—**	(2.0)	—
Other, net	**(1.4)**	.5	(.7)
	24.0%	24.4%	26.0%

The approximate dollar and diluted per-share amounts of tax reductions related to tax holidays in various countries in which the Company does business were: 2001–$43,275 and $.16; 2000–$40,500 and $.15; and 1999–$30,400 and $.11. The tax holidays expire at various dates through 2018.

The Company made income tax payments, net of refunds, of $53,498 in 2001, $51,010 in 2000, and $80,334 in 1999.

The components of Income Before Income Taxes and Cumulative Effect of Change in Accounting Principle follow:

	2001	2000	1999
Domestic, including Puerto Rico	**$340,073**	$285,228	$177,520
Foreign	**236,677**	234,706	195,135
	$576,750	$519,934	$372,655

8

Supplemental Financial Information

Gains on Investments, Net

Gains on investments, net in 2000 related primarily to transactions involving two equity investments. In fiscal 2000, the Company sold portions of an investment for net gains of $44,508 before taxes and proceeds of $52,506. The cost of this investment was determined based upon the specific identification method. The Company had entered into a forward sale contract to hedge a portion of the proceeds.

Also during fiscal 2000, the Company received 480,000 shares of common stock in a publicly traded company (parent) in exchange for its shares in a majority-owned subsidiary of the parent company. The total value of the stock received by the Company was $50,820. Based upon the fair value of the parent common stock at the date of the exchange and the cost basis of subsidiary stock, the Company recorded a gain upon the exchange of the shares. The Company also entered into forward sale contracts to hedge the proceeds from the anticipated sale of the parent common stock.

The Company subsequently sold the parent common stock and settled the forward sale contracts. As a result of these transactions, the Company recorded a net gain of $28,810 before taxes.

Other (Expense) Income, Net

Other expense, net in 2001 included foreign exchange losses of $8,762, including net hedging costs, and write-downs of investments to market value of $6,401.

Other income, net in 2000 included a $2,517 gain on an investment hedge, along with $7,089 of gains relating to settlements of legal claims brought against third parties for patent infringement. Also included in Other income, net were foreign exchange losses of $5,849, including net hedging costs and a net loss of $2,735 relating to assets held for sale.

Other expense, net in 1999 included foreign exchange losses of $9,154, including hedging costs. Other expense, net also included $2,654 of gains on the sale of assets and income of $2,610 associated with settlements.

Trade Receivables

Allowances for doubtful accounts and cash discounts netted against trade receivables were $42,292 and $43,642 at September 30, 2001 and 2000, respectively.

Inventories	2001	2000
Materials	**$ 160,208**	$ 156,918
Work in process	**115,257**	110,843
Finished products	**432,279**	410,915
	$ 707,744	$ 678,676

Inventories valued under the LIFO method were $422,805 in 2001 and $437,254 in 2000. Inventories valued under the LIFO method would have been higher by approximately $9,500 in 2000, if valued on a current cost basis. At September 30, 2001, inventories valued under the LIFO method approximated current cost.

Property, Plant and Equipment	2001	2000
Land	**$ 60,752**	$ 61,550
Buildings	**1,022,908**	960,889
Machinery, equipment and fixtures	**2,278,919**	2,094,178
Leasehold improvements	**57,715**	46,483
	3,420,294	3,163,100
Less allowances for depreciation and amortization	**1,704,271**	1,587,042
	$1,716,023	$1,576,058

Goodwill	2001	2000
Goodwill	**$ 594,695**	$ 599,850
Less accumulated amortization	**163,243**	133,507
	$ 431,452	$ 466,343

Core and Developed Technology	2001	2000
Core and developed technology	**$ 370,044**	$ 353,207
Less accumulated amortization	**65,356**	44,146
	$ 304,688	$ 309,061

Other Intangibles	2001	2000
Patents and other	**$ 358,604**	$ 351,250
Less accumulated amortization	**193,961**	178,530
	$ 164,643	$ 172,720

Supplemental Cash Flow Information

Noncash investing activities for the years ended September 30:

	2001	2000	1999
Exchange of an investment in common stock	**$ —**	$35,800	$ —
Stock issued for business acquisitions	**243**	212	13,341

9 Debt

The components of Short-Term Debt follow:

	2001	2000
Loans payable:		
Domestic	**$416,395**	$478,236
Foreign	**25,836**	50,662
Current portion of long-term debt	**11,781**	108,837
	$454,012	$637,735

Domestic loans payable consist of commercial paper. Foreign loans payable consist of short-term borrowings from financial institutions. The weighted average interest rates for loans payable were 3.8% and 6.5% at September 30, 2001 and 2000, respectively. During the year, the Company replaced three credit facilities totaling $900,000 with two new syndicated credit facilities, consisting of a $450,000 line of credit expiring in August 2002 and a $450,000 line of credit expiring in August 2006. These facilities are available to support the Company's commercial paper borrowing program and for other general corporate purposes. Restrictive covenants include a minimum interest coverage ratio. There were no borrowings outstanding under either of these facilities at September 30, 2001. In addition, the Company had unused short-term foreign lines of credit pursuant to informal arrangements of approximately $299,000 at September 30, 2001.

The components of Long-Term Debt follow:

	2001	2000
Domestic notes due through 2015 (average year-end interest rate: 5.6%–2001; 5.7%–2000)	**$ 15,126**	$ 16,674
Foreign notes due through 2011 (average year-end interest rate: 4.6%–2001; 4.7%–2000)	**9,897**	10,580
9.45% Guaranteed ESOP Notes due through July 1, 2004	**10,810**	17,265
6.90% Notes due October 1, 2006	**98,977**	100,000
7.15% Notes due October 1, 2009	**211,075**	200,000
8.70% Debentures due January 15, 2025	**102,061**	100,000
7.00% Debentures due August 1, 2027	**168,000**	168,000
6.70% Debentures due August 1, 2028	**167,050**	167,050
	$782,996	$779,569

Long-term debt balances as of September 30, 2001 have been impacted by interest rate swaps entered into during fiscal 2001, as discussed in Note 10.

The Company has available $100,000 under a $500,000 shelf registration statement filed in October 1997 for the issuance of debt securities.

The aggregate annual maturities of long-term debt during the fiscal years ending September 30, 2003 to 2006 are as follows: 2003–$8,355; 2004–$5,602; 2005–$5,780; 2006–$871.

The Company capitalizes interest costs as a component of the cost of construction in progress. The following is a summary of interest costs:

	2001	2000	1999
Charged to operations	**$61,585**	$ 86,511	$76,738
Capitalized	**28,625**	24,946	14,655
	$90,210	$111,457	$91,393

Interest paid, net of amounts capitalized, was $63,760 in 2001, $78,272 in 2000, and $77,681 in 1999.

10
Financial Instruments

Foreign Exchange Contracts and Currency Options

The Company uses foreign exchange forward contracts and currency options to reduce the effect of fluctuating foreign exchange rates on certain foreign currency denominated receivables and payables, third party product sales, and investments in foreign subsidiaries. Gains and losses on the derivatives are intended to offset gains and losses on the hedged transaction. The Company's foreign currency risk exposure is primarily in Western Europe, Asia Pacific, Japan and Latin America.

The Company hedges a significant portion of its transactional foreign exchange exposures, primarily intercompany payables and receivables, through the use of forward contracts and currency options with maturities of less than 12 months. Gains or losses on these contracts are largely offset by gains and losses of the underlying hedged items. These foreign exchange contracts do not qualify for hedge accounting under SFAS No. 133.

In addition, the Company enters into option and forward contracts to hedge certain forecasted sales that are denominated in foreign currencies. These contracts are designated as cash flow hedges, as defined by SFAS No. 133, and are effective as hedges of these revenues. These contracts are intended to reduce the risk that the Company's cash flows from certain third party transactions will be adversely affected by changes in foreign currency exchange rates. Changes in the effective portion of the fair value of these contracts are included in other comprehensive income until the hedged sales transactions are recognized in earnings. Once the hedged transaction occurs, the gain or loss on the contract is reclassified from accumulated other comprehensive income to revenues. The Company recorded net hedge gains of $10,628 to revenues in fiscal 2001. In April 2001, the Company re-designated its cash flow hedges pursuant to Statement 133 implementation guidance released by the Derivatives Implementation Group of the FASB. This interpretation allows changes in time value of options to be included in effectiveness testing. Prior to the release of this guidance and the re-designation of these hedges, the Company recorded the change in the time value of options in other expense. The Company recorded other expense of $7,127 in fiscal 2001 related to derivative losses excluded from the assessment of hedge effectiveness.

All outstanding contracts that were designated as cash flow hedges as of September 30, 2001 will mature by September 30, 2002. Included in other comprehensive income in fiscal 2001 is an unrealized loss of $ 4,013, net of tax and amounts realized, for contracts outstanding as of September 30, 2001.

During fiscal 2001, the Company entered into forward exchange contracts to hedge its net investments in certain foreign subsidiaries. These forward contracts are designated and effective as net investment hedges, as defined by SFAS No. 133. The Company recorded a gain of $2,321 in fiscal 2001 to foreign currency translation adjustments in other comprehensive income for the change in the fair value of the contracts.

Interest Rate Swaps

The Company's policy is to manage interest cost using a mix of fixed and floating rate debt. The Company has entered into interest rate swaps in which it agrees to exchange, 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 fair value hedges, as defined by SFAS No. 133. 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. As such, there was no ineffective portion to the hedges recognized in earnings during the period.

Fair Value of Financial Instruments

Cash equivalents, short-term investments and short-term debt are carried at cost, which approximates fair value. Other investments are classified as available-for-sale securities. Available-for-sale securities are carried at fair value, with unrealized gains and losses reported in comprehensive income, net of taxes. In accordance with the provisions of SFAS No. 133, forward exchange contracts and currency options are recorded at fair value. Fair values were estimated based on market prices, where available, or dealer quotes. The fair value of certain long-term debt is based on redemption value. The estimated fair values of the Company's financial instruments at September 30, 2001 and 2000 were as follows:

	2001		2000	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Assets:				
Other investments (non-current)[A]	**$ 20,299**	**$ 13,627**	$ 9,125	$ 8,582
Currency options[B]	**6,833**	**6,833**	9,785	9,797
Forward exchange contracts[B]	**—**	**—**	1,438	730
Interest rate swaps[B]	**12,113**	**12,113**	—	—
Liabilities:				
Forward exchange contracts[C]	**1,635**	**1,635**	—	—
Long-term debt	**782,996**	**806,337**	779,569	737,225

(A) Included in Other non-current assets.

(B) Included in Prepaid expenses, deferred taxes and other.

(C) Included in Accrued Expenses.

Concentration Of Credit Risk

Substantially all of the Company's trade receivables are due from public and private entities involved in the health care industry. Due to the large size and diversity of the Company's customer base, concentrations of credit risk with respect to trade receivables are limited. The Company does not normally require collateral. The Company is exposed to credit loss in the event of nonperformance by financial institutions with which it conducts business. However, this loss is limited to the amounts, if any, by which the obligations of the counterparty to the financial instrument contract exceed the obligations of the Company. The Company also minimizes exposure to credit risk by dealing only with major international banks and financial institutions.

11 Shareholders' Equity

Changes in certain components of shareholders' equity were as follows:

	Series B, ESOP Preferred Stock Issued	Common Stock Issued	Capital in Excess of Par Value	Retained Earnings	Unearned ESOP Compensation	Deferred Compensation	Treasury Stock Shares	Treasury Stock Amount
Balance at October 1, 1998	$48,959	$332,662	$ —	$2,350,781	$(24,463)	$4,903	(84,818,944)	$(1,015,806)
Net income				275,719				
Cash dividends:								
Common ($.34 per share)				(84,936)				
Preferred ($3.835 per share), net of tax benefits				(2,544)				
Common stock issued for:								
Employee stock plans, net			33,134				2,382,641	15,428
Business acquisitions			11,008				357,522	2,333
Common stock held in trusts						1,046	(28,670)	(1,046)
Reduction in unearned ESOP compensation for the year					4,153			
Adjustment for redemption provisions	(2,242)		484				243,122	1,758
Balance at September 30, 1999	46,717	332,662	44,626	2,539,020	(20,310)	5,949	(81,864,329)	(997,333)
Net income				392,897				
Cash dividends:								
Common ($.37 per share)				(93,544)				
Preferred ($3.835 per share), net of tax benefits				(2,465)				
Common stock issued for:								
Employee stock plans, net			29,581				2,357,340	15,220
Business acquisitions			189				3,480	23
Common stock held in trusts						541	(3,592)	(541)
Reduction in unearned ESOP compensation for the year					4,155			
Adjustment for redemption provisions	(3,147)		679				341,393	2,468
Balance at September 30, 2000	43,570	332,662	75,075	2,835,908	(16,155)	6,490	(79,165,708)	(980,163)
Net income				401,652				
Cash dividends:								
Common ($.38 per share)				(97,897)				
Preferred ($3.835 per share), net of tax benefits				(2,359)				
Common stock issued for:								
Employee stock plans, net			72,745				5,423,069	40,564
Business acquisitions			215				3,630	28
Common stock held in trusts						606	(16,346)	(606)
Reduction in unearned ESOP compensation for the year					4,154			
Adjustment for redemption provisions	(3,042)		655				329,877	2,387
Balance at September 30, 2001	$40,528	$332,662	$148,690	$3,137,304	$(12,001)	$7,096	(73,425,478)	$ (937,790)

Common stock held in trusts represents rabbi trusts in connection with the Company's employee salary and bonus deferral plan and Directors' deferral plan.

Preferred Stock Purchase Rights

In accordance with the Company's shareholder rights plan, each certificate representing a share of outstanding common stock of the Company also represents one Preferred Stock Purchase Right (a "Right"). Each whole Right entitles the registered holder to purchase from the Company one eight-hundredths of a share of Preferred Stock, Series A, par value $1.00 per share, at a price of $67.50. The Rights will not become exercisable unless and until, among other things, a third party acquires 15% or more of the Company's outstanding common stock. The Rights are redeemable under certain circumstances at $.01 per Right and will expire, unless earlier redeemed, on April 25, 2006. There are 500,000 shares of preferred stock designated Series A, none of which has been issued.

12 Comprehensive Income

The components of Accumulated other comprehensive loss are as follows:

	2001	2000
Foreign currency translation adjustments	**$(379,772)**	$(341,068)
Unrealized losses on investments	**(3,937)**	(321)
Unrealized losses on currency options	**(4,013)**	—
	$(387,722)	$(341,389)

Generally, the net assets of foreign operations are translated into U.S. dollars using current exchange rates. The U.S. dollar results that arise from such translation, as well as exchange gains and losses on intercompany balances of a long-term investment nature, are included in the cumulative currency translation adjustments in Accumulated other comprehensive loss.

The income tax benefit amounts recorded in fiscal 2001 for the unrealized losses on investments and currency options were $2,500 and $2,800, respectively. The income taxes related to Other Comprehensive Loss were not significant in 2000 or 1999. Income taxes are generally not provided for translation adjustments.

The unrealized losses on currency options included in other comprehensive loss for 2001 are net of reclassification adjustments of $5,000, net of tax, for realized hedge gains recorded to revenues. These amounts had been included in Accumulated other comprehensive loss in prior periods. The tax expense associated with these reclassification adjustments was $3,500.

The unrealized gains on investments included in Other Comprehensive Loss for 2000 are net of reclassification adjustments of $28,000, net of tax, for realized gains on sales of available-for-sale securities as defined by SFAS No. 115. The tax expense associated with the reclassification adjustments was $19,500. Reclassification adjustments related to investments were not significant in fiscal 2001 or 1999.

13 Commitments and Contingencies

Commitments

Rental expense for all operating leases amounted to $49,600 in 2001, $49,200 in 2000 and $46,000 in 1999. Future minimum rental commitments on noncancelable leases are as follows: 2002–$31,100; 2003–$24,300; 2004–$20,200; 2005–$15,400; 2006–$13,000 and an aggregate of $29,400 thereafter.

As of September 30, 2001, the Company has certain future capital commitments aggregating approximately $93,100, which will be expended over the next several years.

Contingencies

The Company, along with a number of other manufacturers, has been named as a defendant in approximately 482 product liability lawsuits related to natural rubber latex that have been filed in various state and Federal courts. Cases pending in Federal court are being coordinated under the matter *In re Latex Gloves Products Liability Litigation* (MDL Docket No. 1148) in Philadelphia, and analogous procedures have been implemented in the state courts of California, Pennsylvania, New Jersey and New York. Generally, these actions allege that medical personnel have suffered allergic reactions ranging from skin irritation to anaphylaxis as a result of exposure to medical gloves containing natural rubber latex. In 1986, the Company acquired a business which manufactured, among other things, latex surgical gloves. In 1995, the Company divested this glove business. The Company is vigorously defending these lawsuits.

The Company, along with another manufacturer and several medical product distributors, has been named as a defendant in 11 product liability lawsuits relating to health care workers who allegedly sustained accidental needlesticks, but have not become infected with any disease.

- In California, *Chavez vs. Becton Dickinson* (Case No. 722978, San Diego County Superior Court), filed on August 4, 1998, was dismissed in a judgment filed March 19, 1999. On August 29, 2000, the appellate court affirmed the dismissal of the product liability claims, leaving only a pending statutory claim for which the court has stated the plaintiff cannot recover damages. On September 10, 2001, the parties reached a final settlement of this remaining cause of action.
- In Florida, *Delgado vs. Becton Dickinson et al*. (Case No. 98-5608, Hillsborough County Circuit Court), filed on July 24, 1998, was voluntarily withdrawn by the plaintiffs on March 8, 1999.
- In Pennsylvania, *McGeehan vs. Becton Dickinson* (Case No. 3474, Court of Common Pleas, Philadelphia County) filed on November 27, 1998, was dismissed without leave to amend in an order dated December 18, 2000.

Cases have been filed on behalf of an unspecified number of health care workers in eight other states, seeking class action certification under the laws of these states. Generally, these remaining actions allege that health care workers have sustained needlesticks using hollow-bore needle devices manufactured by the Company and, as a result, require medical testing, counseling and/or treatment. Several actions additionally allege that the health care workers have sustained mental anguish. Plaintiffs seek money damages in all of these remaining actions, which are pending in Ohio state court, under the caption *Grant vs. Becton Dickinson et al*. (Case No. 98 CVB075616, Franklin County Court), filed on July 22, 1998; in state court in Illinois, under the caption *McCaster vs. Becton Dickinson et al*. (Case No. 98L09478, Cook County Circuit Court), filed on August 13, 1998; in state court in Oklahoma, under the caption *Palmer vs. Becton Dickinson et al*. (Case No. CJ-98-685, Sequoyah County District Court), filed on October 27, 1998; in state court in Alabama, under the caption *Daniels vs. Becton Dickinson et al*. (Case No. CV 1998 2757, Montgomery County Circuit Court), filed on October 30, 1998; in state court in South Carolina, under the caption *Bales vs. Becton Dickinson et al*. (Case No. 98-CP-40-4343, Richland County Court of Common Pleas), filed on November 25, 1998; in state court in New Jersey, under the caption *Pollak, Swartley vs. Becton Dickinson et al*. (Case No. L-9449-98, Camden County Superior Court), filed on December 7, 1998; in state court in New York, under the caption *Benner vs. Becton Dickinson et al*. (Case No. 99-111372, Supreme Court of the State of New York), filed on June 1, 1999; and in Texas state court, under the caption *Usrey vs. Becton Dickinson et al*. (Case No. 342-173329-98, Tarrant County District Court), filed on April 9, 1998.

In Texas state court in the matter of *Usrey vs. Becton Dickinson et al*., the Court of Appeals for the Second District of Texas filed an Opinion on August 16, 2001, reversing the trial court's certification of a class, and remanding the case to the trial court for further proceedings consistent with that opinion. Plaintiffs petitioned the appellate court for rehearing, which the Court of Appeals denied on October 25, 2001.

The Company continues to oppose class action certification in these cases and will continue vigorously to defend these lawsuits, including pursuing all appropriate rights of appeal.

The Company has insurance policies in place, and believes that a substantial portion of defense costs and potential liability, if any, in the latex and class action matters will be covered by insurance. In order to protect its rights to coverage, the Company has filed an action for declaratory judgment under the caption *Becton Dickinson and Company vs. Adriatic Insurance Company et al*. (Docket No. MID-L-3649-99 MT, Middlesex County Superior Court) in New Jersey state court. The Company also has established reserves to cover reasonably-anticipated defense costs in all product liability lawsuits, including the latex and needlestick class action matters.

On January 29, 2001, Retractable Technologies, Inc. ("RTI") filed an action under the caption *Retractable Technologies, Inc. vs. Becton Dickinson and Company, et al*. (Case No. CA510V036, United States District Court, Eastern District of Texas), against the Company, another manufacturer and two group purchasing organizations ("GPOs"). RTI (a manufacturer of retractable syringes) alleges that the Company and the other defendants conspired to exclude them from the market and maintain the Company's market share by entering into long-term contracts with GPOs in violation of state and Federal antitrust laws. Plaintiff seeks money damages. This action is in preliminary stages. Discovery commenced in October, 2001 and the Company is vigorously defending this action.

On May 11, 2001, CalOSHA issued a Citation and Notification of Penalty to the Kaiser Permanente Sunset facility in Los Angeles, alleging that the *BD Eclipse* blood collection device used in the laboratory at that facility did not meet the California regulatory standard for a needle with engineered sharp injury protection. The Citation did not state the factual basis of the allegation or the relief sought. Kaiser has appealed this citation and the Company has intervened in the proceeding. Subsequent to the Citation, CalOSHA issued a public statement that "We are not making an announcement per se that the Eclipse device is unacceptable, but that the way it was used may be a problem. We are not saying at this time that employers should not be using this device."

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. For all sites, there are other potentially responsible parties that may be jointly or severally liable to pay all cleanup costs. The Company accrues costs for estimated environmental liabilities based upon its best estimate within the range of probable losses, without considering possible third-party recoveries.

The Company also is involved both as a plaintiff and a defendant in other legal proceedings and claims which arise in the ordinary course of business, including product liability and environmental matters.

While it is not possible to predict or determine the outcome of the above or other legal actions brought against the Company, upon resolution of such matters, the Company may incur charges in excess of currently established reserves. While such future charges, individually or in the aggregate, could have a material adverse impact on the Company's net income and net cash flows in the period in which they are recorded or paid, in the opinion of management, the results of the above matters, individually or in the aggregate, are not expected to have a material adverse effect on the Company's consolidated financial condition.

14

Stock Plans

Stock Option Plans

The Company has stock option plans under which options have been granted to purchase shares of the Company's common stock at prices established by the Compensation and Benefits Committee of the Board of Directors. The 1995 and 1998 Stock Option Plans made available 24,000,000 and 10,000,000 shares of the Company's common stock for the granting of options to employees, respectively. At September 30, 2001, shares available for future grant under the 1995 and 1998 Plans were 193,210 and 7,105,263, respectively. The Non-Employee Directors 2000 Stock Option Plan made available 1,000,000 common shares for the granting of options, of which 947,989 remained available for future grant as of September 30, 2001. All stock plan data has been retroactively restated to reflect the two-for-one stock splits in prior years, where applicable.

A summary of changes in outstanding options is as follows:

	2001		2000		1999	
	Options for Shares	**Weighted Average Exercise Price**	Options for Shares	Weighted Average Exercise Price	Options for Shares	Weighted Average Exercise Price
Balance at October 1	**30,516,315**	**$21.29**	30,122,274	$20.33	29,904,859	$18.22
Granted	**4,635,232**	**31.90**	3,727,955	27.94	3,170,821 [(A)]	34.83
Exercised	**(5,354,447)**	**15.34**	(2,287,523)	15.09	(2,281,727)	11.37
Forfeited, canceled or expired	**(1,525,771)**	**28.20**	(1,046,391)	30.80	(671,679)	25.29
Balance at September 30	**28,271,329**	**$23.80**	30,516,315	$21.29	30,122,274	$20.33
Exercisable at September 30	**20,534,073**	**$21.30**	26,641,132	$20.23	26,426,344	$18.37
Weighted average fair value of options granted	**$ 12.08**		$ 11.53		$ 12.77	
Available for grant at September 30	**8,246,462**		11,555,118		13,462,158	

The maximum term of options is ten years. Options outstanding as of September 30, 2001 expire on various dates from May 2002 through September 2011.

(A) The Company granted 73,074 of options to purchase shares of the Company's common stock to eligible employees of a business acquired in fiscal 1999.

	September 30, 2001				
	Options Outstanding			**Options Exercisable**	
Range Of Option Exercise Price	**Number Outstanding**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life**	**Number Exercisable**	**Weighted Average Exercise Price**
$ 8.64–$12.55	6,436,291	$10.55	2.6 Years	6,436,291	$10.55
$17.36– 25.63	8,585,565	22.59	5.0 Years	8,529,993	22.58
$27.25– 41.56	13,249,473	31.03	7.9 Years	5,567,789	31.76
	28,271,329	$23.80	6.5 Years	20,534,073	$21.30

As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," the Company has adopted the disclosure-only provision of the Statement and applies APB Opinion No. 25 and related interpretations in accounting for its employee stock plans.

The 1990 Plan has a provision whereby unqualified options may be granted at, below, or above market value of the Company's stock. If the option price is less than the market value of the Company's stock on the date of grant, the discount is recorded as compensation expense over the service period in accordance with the provisions of APB Opinion No. 25. There was no such compensation expense in 2001, 2000 or 1999.

Under certain circumstances, the stock option plans permit the optionee the right to receive cash and/or stock at the Company's discretion equal to the difference between the market value on the date of exercise and the option price. This difference would be recorded as compensation expense over the vesting period.

The following pro forma net income and earnings per share information has been determined as if the Company had accounted for its stock-based compensation awards issued subsequent to October 1, 1995 using the fair value method. Under the fair value method, the estimated fair value of awards would be charged against income on a straight-line basis over the vesting period which generally ranges from zero to three years. The pro forma effect on net income for 2001, 2000 and 1999 is not representative of the pro forma effect on net income in future years since compensation cost is allocated on a straight-line basis over the vesting periods of the grants, which extends beyond the reported years.

	2001		2000		1999	
	As Reported	**Pro Forma**	As Reported	Pro Forma	As Reported	Pro Forma
Net Income	**$401,652**	**$368,135**	$392,897	$361,639	$275,719	$247,224
Earnings Per Share:						
Basic	**1.55**	**1.42**	1.54	1.42	1.09	.98
Diluted	**1.49**	**1.37**	1.49	1.38	1.04	.93

The pro forma amounts and fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 2001, 2000 and 1999: risk free interest rates of 5.57%, 6.64% and 4.79%, respectively; expected volatility of 32.8%, 35.4% and 31.0%, respectively; expected dividend yields of 1.09%; and expected lives of 6 years for each year presented.

Other Stock Plans

The Company has a compensatory Stock Award Plan which allows for grants of common shares to certain key employees. Distribution of 25% or more of each award, as elected by the grantee, is deferred until after retirement or involuntary termination. Commencing on the first anniversary of a grant following retirement, the remainder is distributable in five equal annual installments. During 2001, 70,030 shares were distributed. No awards were granted in 2001, 2000 or 1999. At September 30, 2001, 2,385,988 shares were reserved for future issuance, of which awards for 284,600 shares have been granted.

The Company has a compensatory Restricted Stock Plan for Non-Employee Directors which reserves for issuance 300,000 shares of the Company's common stock. No restricted shares were issued in 2001, 2000 or 1999.

The Company has a Directors' Deferral Plan which provides a means to defer director compensation, from time to time, on a deferred stock or cash basis. As of September 30, 2001, 142,405 shares were held in trust, of which 9,951 shares represented Directors' compensation in 2001, in accordance with the provisions of the Plan. Under the Plan, which is unfunded, directors have an unsecured contractual commitment from the Company to pay directors the amounts due to them under the Plan.

15 Earnings Per Share

For the years ended September 30, 2001, 2000 and 1999, the following table sets forth the computations of basic and diluted earnings per share (shares in thousands):

	2001	2000	1999
Net income	**$401,652**	$392,897	$275,719
Preferred stock dividends	**(2,721)**	(2,916)	(3,114)
Income available to common shareholders [A]	**398,931**	389,981	272,605
Preferred stock dividends–using "if converted" method	**2,721**	2,916	3,114
Additional ESOP contribution–using "if converted" method	**(645)**	(689)	(821)
Income available to common shareholders after assumed conversions [B]	**$401,007**	$392,208	$274,898
Average common shares outstanding [C]	**257,128**	252,454	249,595
Dilutive stock equivalents from stock plans	**7,309**	6,059	9,917
Shares issuable upon conversion of preferred stock	**4,396**	4,726	5,068
Average common and common equivalent shares outstanding–assuming dilution [D]	**268,833**	263,239	264,580
Basic earnings per share [A/C]	**$ 1.55**	$ 1.54	$ 1.09
Diluted earnings per share [B/D]	**$ 1.49**	$ 1.49	$ 1.04

16 Segment Data

On October 1, 2000, the Company changed the structure of its internal organization, which caused the composition of its reportable segments to change. For the year ended September 30, 2001, decisions about resource allocation and performance assessment will be made separately for the Medical Systems ("Medical") segment, the new Clinical Laboratory Solutions ("Clinical Lab") segment, and the reorganized Biosciences segment. Prior year information has been reclassified to conform to current year presentation.

The major products in the Medical segment are hypodermic products, specially designed devices for diabetes care, prefillable drug delivery systems, infusion therapy products, elastic support products and thermometers. The Medical segment also includes disposable scrubs, specialty needles and surgical blades. The major products in the Biosciences segment are flow cytometry systems for cellular analysis, reagents and tissue culture labware. The major products in the Clinical Lab segment are clinical and industrial microbiology products, sample collection products, specimen management systems, hematology instruments and other diagnostic systems, including immunodiagnostic test kits. This segment also includes consulting services and customized, automated bar-code systems.

The Company evaluates performance based upon operating income. Segment operating income represents revenues reduced by product costs and operating expenses. The calculations of segment operating income and assets are in accordance with the accounting policies described in Note 1. During fiscal 2001, the Company refined its methodology for allocating indirect expenses for purposes of reporting segment operating income to the chief

operating decision maker. In the past, the Company allocated consolidated amounts using reasonable allocation methods. These consolidated amounts are now reported locally by the various regions, which allocate these expenses to the appropriate operating segment. The Company believes this new approach is a more preferable method for allocating shared expenses as the allocations are now being performed at a more detailed level of reporting. As a result of this change in methodology, segment operating income has been restated for all periods presented. Restated segment operating income for the first three quarters of fiscal 2001 and 2000 are as follows:

	First Quarter		Second Quarter		Third Quarter	
	2001*	2000	**2001***	2000	**2001***	2000
Medical Systems	**$ 90,625**	$ 99,044	**$110,937**	$ 98,414	**$118,062**	$122,215
Clinical Lab	**45,877**	40,463	**57,441**	56,452	**53,779**	41,191
Biosciences	**13,410**	13,749	**26,914**	25,077	**26,614**	17,602
Total Segment Operating Income	**149,912**	153,256	**195,292**	179,943	**198,455**	181,008
Unallocated Expenses	**(48,054)**	(51,507)	**(46,688)**	(14,836)	**(45,392)**	(19,500)
Income Before Taxes and Cumulative Effect of Accounting Change	**$101,858**	$101,749	**$148,604**	$165,107	**$153,063**	$161,508

** Restated to reflect the adoption of SAB 101.*

Distribution of products is both through distributors and directly to hospitals, laboratories and other end users. Sales to a distributor which supplies the Company's products to many end users accounted for approximately 11% of revenues in 2001, 10% in 2000, and 11% in 1999, and included products from the Medical and Clinical Lab segments. No other customer accounted for 10% or more of revenues in each of the three years presented.

Revenues	**2001**	2000	1999
Medical Systems	**$2,007,540**	$1,966,039	$1,923,865
Clinical Lab	**1,154,752**	1,102,352	1,061,235
Biosciences	**592,010**	549,943	433,312
Total [A]	**$3,754,302**	$3,618,334	$3,418,412

Segment Operating Income [B]			
Medical Systems	**$ 446,940**	$ 394,858 [C]	$ 351,390 [C]
Clinical Lab	**212,837**	169,880 [D]	182,718 [D]
Biosciences	**97,293**	73,173 [E]	12,581 [E]
Total Segment Operating Income	**757,070**	637,911	546,689
Unallocated Expenses [F]	**(180,320)**	(117,977)	(174,034)
Income Before Income Taxes and Cumulative Effect of Change in Accounting Principle	**$ 576,750**	$ 519,934	$ 372,655

Segment Assets			
Medical Systems	**$2,432,709**	$2,289,304	$2,258,779
Clinical Lab	**1,093,735**	1,059,144	1,109,385
Biosciences	**830,550**	811,081	777,630
Total Segment Assets	**4,356,994**	4,159,529	4,145,794
Corporate and All Other [G]	**445,293**	345,567	291,164
Total Assets	**$4,802,287**	$4,505,096	$4,436,958

Capital Expenditures	**2001**	2000	1999
Medical Systems	**$ 265,531**	$ 246,928	$ 187,868
Clinical Lab	**62,009**	66,270	75,537
Biosciences	**24,083**	33,881	19,989
Corporate and All Other	**19,131**	29,293	28,153
Total	**$ 370,754**	$ 376,372	$ 311,547

Depreciation and Amortization			
Medical Systems	**$ 145,702**	$ 133,787	$ 122,804
Clinical Lab	**89,117**	81,577	82,363
Biosciences	**58,204**	63,070	45,414
Corporate and All Other	**12,677**	9,821	8,282
Total	**$ 305,700**	$ 288,255	$ 258,863

(A) Intersegment revenues are not material.

(B) Restated, as described above.

(C) Includes $39,844 in 2000 and $60,933 in 1999 for special charges discussed in Note 5.

(D) Includes $7,697 in 2000 and $5,886 in 1999 for special charges discussed in Note 5.

(E) Includes $4,576 in 2000 and $3,505 in 1999 for special charges discussed in Note 5, as well as $48,800 in 1999 for purchased in-process research and development charges discussed in Note 6.

(F) Includes interest, net; foreign exchange; corporate expenses; and gains on sales of investments. Also includes special charges of $5,397 and $5,229 in 2000 and 1999, respectively, as discussed in Note 5.

(G) Includes cash, investments and corporate assets.

Geographic Information

The countries in which the Company has local revenue-generating operations have been combined into the following geographic areas: the United States, including Puerto Rico, and International, which is composed of Europe, Canada, Latin America, Japan and Asia Pacific.

Revenues to unaffiliated customers are based upon the source of the product shipment. Long-lived assets, which include net property, plant and equipment, are based upon physical location. Intangible assets are not included since, by their nature, they do not have a physical or geographic location.

	2001	2000	1999
Revenues			
United States	**$2,016,523**	$1,863,555	$1,747,785
International	**1,737,779**	1,754,779	1,670,627
Total	**$3,754,302**	$3,618,334	$3,418,412
Long-Lived Assets			
United States	**$ 956,138**	$ 866,125	$ 758,929
International	**633,671**	578,741	550,588
Corporate	**126,214**	131,192	121,632
Total	**$1,716,023**	$1,576,058	$1,431,149

Quarterly Data (Unaudited)

Thousands of dollars, except per-share amounts

	2001				
	1st[A]	**2nd[A]**	**3rd[A]**	**4th**	**Year**
Revenues	**$870,320**	**$953,167**	**$943,290**	**$987,525**	**$3,754,302**
Gross Profit	**416,402**	**466,429**	**468,399**	**489,780**	**1,841,010**
Income Before Cumulative Effect of Accounting Change	**73,698**	**114,165**	**118,129**	**132,410**	**438,402**
Net Income	**36,948[B]**	**114,165**	**118,129**	**132,410**	**401,652[B]**
Basic Earnings Per Share:					
Income Before Cumulative Effect	**.29**	**.44**	**.46**	**.51**	**1.69**
Net Income	**.15[B]**	**.44**	**.46**	**.51**	**1.55[B]**
Diluted Earnings Per Share:					
Income Before Cumulative Effect	**.28**	**.42**	**.44**	**.49**	**1.63**
Net Income	**.14[B]**	**.42**	**.44**	**.49**	**1.49[B]**

	2000				
	1st	2nd	3rd	4th	Year
Revenues	$859,164	$925,132	$914,140	$919,898	$3,618,334
Gross Profit	409,213	451,145	460,302	449,342	1,770,002
Net Income	75,294	119,171	114,418	84,014	392,897[C]
Earnings Per Share:					
Basic	.30	.47	.45	.33	1.54
Diluted	.29	.45	.43	.32	1.49

(A) Restated to reflect the adoption of SAB 101.

(B) Include an after-tax charge of $36,750, or $.14 per share, for the cumulative effect of accounting change.

(C) Includes $57,514 of special charges in the fourth quarter.

Corporate Information

Board of Directors

Harry N. Beaty, M.D.[1,4]
Emeritus Dean–Northwestern University Medical School, and Chairman of the Board and President–Northwestern University Medical Faculty Foundation

Henry P. Becton, Jr.[2,3,4]
President and General Manager–WGBH Educational Foundation

Clateo Castellini[3,5]
Chairman of the Board–BD

Albert J. Costello[1,6]
Retired Chairman of the Board, President and Chief Executive Officer–W.R. Grace & Co.

Gerald M. Edelman, M.D., Ph.D.[4,5,6]
Director–The Neurosciences Institute, and Member–The Scripps Research Institute

Edward J. Ludwig[5]
President and Chief Executive Officer–BD

Frank A. Olson[2,5,6]
Chairman of the Board and Retired Chief Executive Officer–The Hertz Corporation

James F. Orr[1,4]
Chairman, President and Chief Executive Officer–Convergys Corporation

Willard J. Overlock, Jr.[2,5,6]
Retired Partner–Goldman, Sachs & Co.

James E. Perrella[2,3,5]
Retired Chairman of the Board–Ingersoll-Rand Company

Alfred Sommer[1,3]
Dean of the Johns Hopkins Bloomberg School of Public Health, and Professor of Ophthalmology, Epidemiology and International Health

Margaretha af Ugglas[1,4]
Member of the Board–Stockholm University and Jarl Hjalmarson Foundation

Committees Appointed by the Board of Directors

1 – Audit Committee
2 – Compensation and Benefits Committee
3 – Corporate Governance Committee
4 – Corporate Affairs Committee
5 – Executive Committee
6 – Finance and Investment Committee

Corporate Officers

Edward J. Ludwig
President and Chief Executive Officer

Richard K. Berman
Vice President and Treasurer

Mark H. Borofsky
Vice President–Taxes

Richard O. Brajer
President–BD Clinical Laboratory Solutions

James R. Brown
Vice President–Quality Management

Gilberto D. Bulcao
President–North and South Latin America

Gary M. Cohen
President–BD Medical Systems

John R. Considine
Executive Vice President and Chief Financial Officer

Jean-Marc Dageville
Vice President-Human Resources

David T. Durack
Vice President–Corporate Medical Affairs

Vincent A. Forlenza
Senior Vice President–Technology, Strategy and Development

A. John Hanson
President–BD Europe

Bridget M. Healy
Vice President, General Counsel and Secretary

Richard M. Hyne
Vice President and Controller

William A. Kozy
Senior Vice President–Company Operations

Deborah J. Neff
President–BD Biosciences

Dean J. Paranicas
Vice President–Investor Relations and Public Affairs

Patricia B. Shrader
Vice President–Regulatory Affairs

Rex C. Valentine
President–BD Japan

James R. Wessel
President–BD Asia-Pacific

Corporate Data

Annual Meeting
2:00 p.m.
Wednesday, February 13, 2002
Woodcliff Lake Hilton
200 Tice Boulevard
Woodcliff Lake, NJ 07675

Direct Stock Purchase Plan
The Direct Stock Purchase Plan established through EquiServe Trust Company, N.A., enhances the services provided to existing shareholders and facilitates initial investments in BD shares. Additional information may be obtained by calling EquiServe Trust Company, N.A. at 1-800-955-4743.

NYSE Symbol
BDX

Transfer Agent and Registrar
EquiServe Trust Company, N.A.
P.O. Box 2500
Jersey City, NJ 07303-2500
Phone: 1-800-519-3111
E-mail: equiserve@equiserve.com
Internet: http://www.equiserve.com

Shareholder Information
Shareholders may receive, without charge, a copy of the Company's 2001 Annual Report to the Securities and Exchange Commission on Form 10-K by contacting:

Investor Relations
BD
1 Becton Drive
Franklin Lakes, NJ 07417-1880
Phone: 1-800-284-6845
Internet: http://www.bd.com

Independent Auditors
Ernst & Young LLP
787 Seventh Avenue
New York, NY 10019-6085
Phone: 212-773-3000
Internet: http://www.ey.com

Certain BD Biosciences products are intended for research use only. Not for use in diagnostic or therapeutic procedures.

Common Stock Prices and Dividends

By Quarter	2001			2000		
	High	**Low**	**Dividends**	High	Low	Dividends
First	**$35.13**	**$26.56**	**$0.095**	$30.31	$22.38	$0.0925
Second	**39.00**	**31.31**	**0.095**	34.44	24.00	0.0925
Third	**36.00**	**30.14**	**0.095**	30.00	24.94	0.0925
Fourth	**37.55**	**33.49**	**0.095**	30.94	21.75	0.0925

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