Tools for human health

2000 Annual Report

BD

Indispensable to human health

Contents

From laboratory to living room, BD is the world's healthcare toolmaker

BD is a medical technology company that manufactures and sells a broad range of supplies, devices and systems for use by healthcare professionals, medical research institutions, industry and the general public. For the fiscal year, revenues were $3.618 billion, a 6 percent increase from last year's $3.418 billion. Net income was $393 million, while diluted earnings per share were $1.49.

To our shareholders:

It is with great pleasure that I write to you in this, my first letter to shareholders as chief executive officer. In our annual report this year we hope to accomplish two things: brief you on the past year, and help you to gain a better understanding of the enterprise we are building at BD.

Edward J. Ludwig
President and
Chief Executive Officer

I hope to accomplish much of the first objective with this letter. As to the second, let me refer you to our report, "Tools for Human Health," on the pages that follow. In this section, you will see BD products in use across the healthcare continuum, from advanced research in the world's most sophisticated laboratories to immunization programs in some of the most remote and rugged areas on earth. *This is who we are*. I believe no other company in our industry has that kind of reach and relevance to patients and healthcare practitioners. By reading this report I hope you will come to appreciate the unique role BD occupies as toolmaker for the worldwide healthcare industry.

Turning to fiscal 2000, obviously it was a difficult year and one in which we did not meet our financial performance objectives–or yours. At the same time, I believe we will look back on it as a time when we took steps to position ourselves for strong, sustainable growth. In the marketplace, we made major progress in our conversion to the industry's broadest, deepest line of safety-engineered products. Our Biosciences segment continued to be an innovative force in providing leading-edge tools for drug discovery and development and human genomics. We brought to market two state-of-the-art diagnostic systems for clinical laboratories. Internally, we made measurable progress in reengineering critical business processes around a global, companywide resource planning system. We implemented decisive actions to enhance organizational effectiveness, drive process improvement across the company, and increase productivity and efficiency throughout the supply chain.

In September, as the fiscal year closed, we announced a plan of restructuring and overall financial improvement that accomplished several things. First, we aligned workforce size with more realistic growth projections. Second, we implemented significant expense controls, also in alignment with anticipated revenues. Third, we made modifications to distributor

relationships that are moving us closer to the customer and supporting greater supply chain efficiencies.

For these and other reasons, I believe we can look to the future with confidence. For the longer term, our vision of becoming a great company remains firmly in place. That vision has three elements. First, we seek to make meaningful contributions to human health worldwide. To us, "Indispensable to human health" is more than a slogan–it's part of our lives. Second, since business success is essential to fulfilling our vision, we are committed to improved financial performance and meeting responsibilities to our shareholders. Third, we want to make a very good place to work even better. Our ability to do that flows directly from the first two objectives.

As I have said, in fiscal 2000 we did not achieve our financial performance objectives. The revenue shortfall can be traced to two business segments: Biosciences and Medical Systems. Despite overall strong growth in Biosciences, certain of our newer product groups missed their targets, while the *BDProbeTec ET* laboratory instrument experienced a longer-than-anticipated customer evaluation cycle. In Medical Systems, revenues were disappointing in infusion therapy and critical care products in Europe, as well as our home healthcare product line.

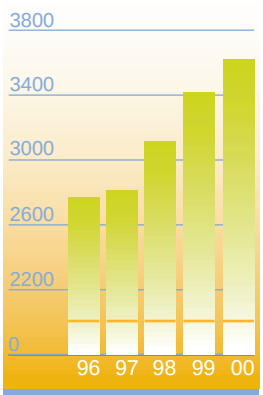
With revenues below forecast, profitability was impacted by three key initiatives involving significant investment over several years. We are near the conclusion of a $300 million commitment to invest in new production systems in the U.S. for safety-engineered products, representing the largest manufacturing recapitalization program in the history of BD. This recapitalization is expected to be substantially completed by the end of fiscal 2001. Ordinarily, that level of spending by itself would have represented more than a year's supply of capital. We are also spending over $300 million to implement Genesis, a global resource planning tool that will ultimately make possible significant productivity improvements throughout the company. Our global businesses will operate more effectively, benefitting our income statement and balance sheet. We expect to fully implement Genesis during fiscal 2003. Finally, we have been working to realize the full benefits of the $1 billion in acquisitions we made in companies such as Clontech Laboratories, Transduction Laboratories and PharMingen.

As fiscal 2001 progresses, we will begin to reap the rewards of significant capital investment, strategic acquisitions, process initiatives and spending controls. Clearly, we can't cost-cut our way to growth. Innovation and new products remain critical. In our efforts to enhance shareholder value we will build from the ground up, with a focus on consistent financial performance and what I call *purposeful* growth. In short, we know what we do well, we know what we need to improve and we are committed to both.

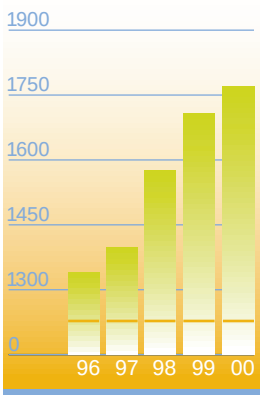
Let me turn to key accomplishments of the year, with an emphasis on their implications for the future.

Financial highlights
Thousands of dollars, except per-share amounts

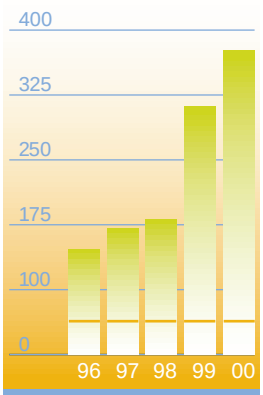
	2000	1999	Change
Operating results			
Revenues	**$3,618,334**	$3,418,412	5.8%
Net income	**392,897**	275,719	42.5%
Diluted earnings per share	**1.49**	1.04	43.3%
Dividends per common share	**.37**	.34	8.8%



Revenues
(Millions of Dollars)



Gross Profit
(Millions of Dollars)



Capital Expenditures
(Millions of Dollars)

BD is the pioneer in medical devices designed to prevent accidental needlesticks to those who deliver healthcare. In 2000, we saw our conversion to safety-engineered products reach critical mass. We have made substantial progress in addressing the challenge of redesigning our manufacturing processes to produce much more complex devices in high volumes, while maintaining BD standards for quality. We have ample capacity in IV catheters and sample collection devices, and we are building toward the same in hypodermic products. We met our sales and profit goals for safety-engineered products this year and also realized incremental sales in Europe. Safety legislation gained momentum throughout the year, culminating in the enactment of the Needlestick Safety and Prevention Act, which was signed into law by President Clinton on November 6, 2000. This law requires healthcare facilities to review and ensure the use of safety-engineered sharps products.

We have also recently introduced two new clinical diagnostic platforms. Our *BDProbeTec ET* system was launched in the U.S. market at the beginning of calendar 2000 and, although revenues lagged due to longer-than-anticipated evaluation periods, we won over 90 percent of competitive evaluations. We are confident that we will realize strong year-over-year sales gains for the *BDProbeTec ET* system in fiscal 2001. Our *Phoenix* automated microbiology system for simplifying drug susceptibility testing was launched in Europe in September and is already stimulating a highly positive customer response.

In BD Biosciences, our flow cytometry products experienced strong revenue growth. We have restructured BD Biosciences into a pure life sciences business. In 2001 we will begin to report it as a separate segment. This will provide more transparency and better highlight the growth and value of this business. BD Biosciences is a leading tool provider in fast moving and dynamic markets, including molecular biology; immunology and cell analysis; and cell biology. The business is especially well-positioned to benefit from its ability to deliver integrated research systems that include instruments, assays, software, consumables and services.

Turning to Genesis, our business process reengineering initiative, we have now gone "live" in five of our large North American manufacturing facilities and parts of Canada. Our focus now is on procurement, manufacturing, shipping and customer-facing applications. Genesis is essential to a lean supply chain, low inventory and back-orders, and very high service levels. The customer relationship side of Genesis puts us much closer to our markets and provides us with valuable insights into how our products are used.

Genesis is also a resource for implementing our e-business strategy. Anchoring our e-business

approach is membership in the Global Healthcare Exchange, which includes leading medical device companies, such as GE Medical Systems, Abbott Laboratories, Johnson & Johnson and others. Together, we are creating an e-business exchange offering customers a single point for accessing our full product array and making quicker, more efficient purchasing decisions.

In terms of organizational learning and development, during the past year we launched BD University as a resource to develop leadership talent throughout the company. We also continued to engage BD associates in process improvements, and we substantially strengthened BD's overall management skills and capabilities.

On a personal note, I am pleased to recognize our Chairman of the Board, Clateo Castellini, who has shared his counsel and continued to be a source of energy and inspiration, just as he was during his tenure as CEO. I am also happy to welcome James F. Orr to our Board of Directors. He joined us early in the new fiscal year. Jim is president and CEO of Convergys Corporation, Cincinnati, Ohio. Convergys is the world's largest provider of outsourced customer management and billing services.

I want to make special note of the fact that this year brought John R. Considine to BD as executive vice president and chief financial officer. John joins me and a renewed senior management team comprised of talented individuals in corporate roles and in our operations worldwide. Some are new to BD, others newly assigned to key positions, but all are experienced and capable of doing what is necessary to meet our objectives. I look forward to working closely with them in the challenging and exciting times that lie ahead.

At BD today our sense of direction is strong and clear. To reiterate, we know what we do well, we know what we need to improve and we're committed to both. We are above all committed to consistent, sustainable financial performance built on the "indispensable tools for human health" that bring value to world health and thus to our shareholders.

BD has a culture that supports these goals. In my travels, I have met with thousands of talented BD associates who value a challenging working environment and are proud to be a part of BD. This year, more than ever, I have admired their professionalism and dedication and I look forward to working with them to deliver on the promises we have made.

Edward J. Ludwig
President and
Chief Executive Officer

Tools for human health

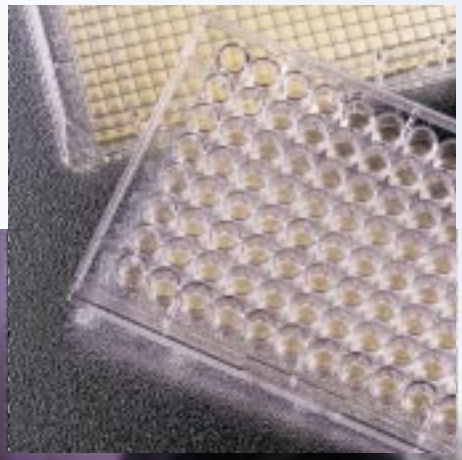
They're as different as different can be: a highly sophisticated scientific instrument for molecular diagnostics...a surgical blade that's among the sharpest objects on earth...a DNA array for analyzing thousands of genes...a simple syringe with the power to reach every person on earth. They are diverse, yet have everything in common–for they are all tools for human health. And, they all come from one company–BD. As is true with any great toolmaker, our tools respond to the needs of those who use them. No matter what the venue–laboratory, operating room, hospital, rural clinic–our intimate knowledge of healthcare processes, practices and procedures enables our tools to serve as the benchmark for performance, quality and innovation the world over.

...in the research laboratory

The *BD FACSVantage* flow cytometry system revolutionized cell sorting. Now, a digital version of the system provides even higher performance for a range of research applications.

The synergy achieved between the *FACSVantage* flow cytometry system developed by BD and the reagents provided by the acquisition of BD PharMingen has helped make BD Biosciences the industry leader in flow cytometry for cell analysis. The technology allows investigators to gain a better understanding of immune system diseases, such as AIDS and cancer. Since last spring, a new generation *BD FACSVantage* system has been in beta site testing – "DiVa," for *DigitalVantage*. The system uses digital signal processing in place of analog technology for even faster throughput and expanded capabilities. Among the beta sites is the Scripps Research Institute in La Jolla, California, one of the largest private, nonprofit research organizations in the U.S. and a recognized leader in basic biomedical science. Joe Trotter, Scripps' director of flow cytometry, manages a core FACS facility using three BD flow cytometers that serve nearly 300 Scripps clinical and research scientists, including immunologists, molecular biologists and neurobiologists. He has found that the scientists' research is greatly enhanced by DiVa's ability to analyze more parameters and sort more populations at higher speeds. The collaboration between Scripps and BD is representative of our ongoing partnerships with the research community to advance healthcare by enhancing the capabilities of biomedical research.

...in the biopharmaceutical industry



The *BD Oxygen Biosensor* system is among the new products BD is introducing as part of a broad product portfolio focused on speeding the drug discovery process.

Leveraging an ever-growing portfolio of innovative technologies, BD is emerging as a leading resource in the fast-growing field of drug discovery and development, or "3D." Leading-edge biotechnology and biopharmaceutical companies urgently need products and systems to speed the drug development process, select more favorable therapies and monitor effectiveness. An example is BD's novel fluorescent proteins. These proteins go beyond other tools in that they revolutionize the information that can be obtained from a single assay. The product line under development includes an integrated platform of cell-based assays to rapidly identify drug targets and simultaneously screen for drug candidates across a broad spectrum of diseases. Another example of BD's extensive 3D capabilities is in work performed at Cambridge, Massachusetts' GPC Biotech Inc., the U.S. subsidiary of Munich-based GPC Biotech AG, a leading genomics-driven drug discovery company. GPC Biotech is among the adopters of the *BD Oxygen Biosensor* system, which streamlines screening for new antibiotics. This flexible technology platform is designed to select promising drug candidates earlier through toxicity and metabolism tests that historically have been done with lab animals. In addition to saving time and labor, the *BD Oxygen Biosensor* system eliminates toxic waste and provides more valuable kinetic profiles.

...in the public health laboratory

The *BDProbeTec ET* system's simple workflow and reagent design permit any lab to perform advanced clinical molecular diagnostics.

Since its launch in December 1999, the *BDProbeTec ET* system has become recognized for enhancing laboratory productivity through simple workflow, high throughput and rapid time to results. These benefits permit the screening of people at risk for sexually transmitted diseases such as *Chlamydia trachomatis* and *Neisseria gonorrhea*. These infections can cause significant adverse health outcomes, such as chronic pelvic pain, infertility and sterility. Since many infected people may not show any signs or symptoms, community awareness and testing are vital to stemming the spread of infection. In San Francisco, the Department of Public Health has initiated a unique program. The department's health workers fan out among the city's social clubs and street fairs to gather urine samples, while samples are also gathered from day laborers and inmates at correctional institutions. After testing by the *BDProbeTec ET* system, positive results are followed up by the department's workers. Sally Liska, director of the laboratory, says that BD system was selected because the system combines the ability to test urine samples with a workflow that can easily accommodate the laboratory's sample volumes. Public health officials are hopeful that technological advances such as the *BDProbeTec ET* system, in conjunction with community-based initiatives, will lead to real improvements in human health.

...in the pharmaceutical industry

BD Monovial **Prefillable IV Infusion system is designed for rapid, reliable transfer of drugs into conventional IV infusion bags.**

BD is the leading provider of prefilled drug delivery devices for the pharmaceutical industry. Prefilled devices contribute to a better standard of healthcare by offering a number of benefits: correct dosing, sterility assurance, ease of use, cost savings and higher reliability as a result of less handling. BD's extensive line ranges from syringes and pens to nasal spray systems that pharmaceutical companies are able to fill with only minimal modifications to existing processing lines. An example is the *BD Monovial* Prefillable IV Infusion system, a dry drug delivery system used in hospitals and extended care facilities outside the U.S. The *Monovial* devices are made by BD in Pont de Claix, France, and shipped to customers such as GlaxoWellcome in Italy. At its Verona facility, shown here, GlaxoWellcome fills the devices with two antibiotics, Zinacef and Fortum, in dry powder that is easily reconstituted at the point of use. Roberto Bertoletti, Sterile Devices Sourcing Group team leader in GlaxoWellcome's worldwide procurement organization, says that in tests with physicians, the *Monovial* system was praised for ease of use, safety, reliability and the speed with which dry drugs can be reconstituted. As a result, GlaxoWellcome expects to increase its orders in 2001.

...in the operating room

BD's Clear Cornea Incision **system for cataract surgery offers blades with the sharpness of a diamond knife, but at considerably lower cost. The system includes a full line of instruments for next-generation microincision eye surgery.**

In recent years, nothing less than a revolution has occurred in ophthalmic surgery. "It's the stuff of science fiction," says Phoenix-based Robert M. Kershner, M.D., F.A.C.S., a pioneer in refractive and cataract surgery. Today's LASIK ("laser assisted in-situ keratomileusis") procedure was enabled by the combination of the excimer laser and a microkeratome to create a flap in the uppermost layer of the cornea. While the eye-reshaping laser has received all the attention, experts such as Dr. Kershner know that the critical difference is the microkeratome–the instrument surgeons use to generate a smooth, consistent cut in the cornea. For microkeratomes, blades and other refractive instruments, Dr. Kershner and others are turning to BD. "BD has the finest microkeratome blades in the world, bar none. The only complications in LASIK surgery today are related to the flap, and BD has the technology for creating a consistently better, smoother flap," Dr. Kershner says. BD is building on many years in eye surgery by launching a new generation of microkeratomes. In 2001, BD will introduce its "atomic edge" blade, which is comparable to a diamond knife–currently the sharpest surgical blade–but at a fraction of the cost. And, it's a technology that can extend to BD's full line of surgical blades.

...in the hospital

The *BD Insyte Autoguard Shielded IV Catheter* incorporates a patented pushbutton technology that instantly withdraws the needle into the safety barrel of the device.

BD pioneered the development of medical devices with sharps protection features years before legislation in the U.S. that now requires their use to help prevent accidental needlesticks. Today, BD has an array of products to address this concern, including the *BD Autoguard* line of shielded IV catheters, which has been clinically proven to reduce the risk of catheter-related needlestick injuries. Incident reports at two community hospitals in Toronto–Oakville Trafalgar Memorial Hospital and Milton District Hospital, both operated by Halton Healthcare Services–led to a full conversion to the BD catheters. An analysis done by Shirley Lanza, professional practice clinician for infection control, and Denise Inouye, professional practice clinician for surgery, revealed that the entry of an IV line is a leading source of sharps injuries. This prompted a product evaluation committee to choose two products for competitive trials in four units: surgical day care, the operating room and intensive care at the Oakville site, and the emergency room at the Milton site. BD's catheter was chosen because of its one-handed operation and visual confirmation that the needle was completely shielded. It also required the least adjustment by the hospital's practitioners. Once the *Insyte Autoguard* catheters were selected, BD helped with training and on-site support during the transition to the new devices.

...in the doctor's office

The *BD SafetyGlide* shielding hypodermic needle meets users' preference for one-handed action and its *PrecisionGlide* needle–the industry's sharpest–provides penetration ease and patient comfort.

Fiscal 2001 will mark the first time that BD sells more than one billion safety-engineered products in the U.S.–an accomplishment that is magnified by the fact that BD had limited capacity in this area just 18 months ago. By the time it is largely finished, this complete platform conversion will have taken place in less than 36 months. Safety-engineered products are considerably more complex than their predecessors–with more moving parts and often triple the part count. Yet, BD has quickly reached volume production while maintaining its standards for precise dosing, sterilization, needle sharpness and ease of use. An example is the *BD SafetyGlide* shielding hypodermic needle. After the injection, a single finger stroke activates a lever arm that shields the needle. Dr. Gary Knackmuhs, medical director of Occupational Health and an infectious disease specialist at Valley Hospital in Ridgewood, New Jersey, heads the hospital's employee health program. Dr. Knackmuhs, shown here in his office, notes that as the hospital has transitioned to safety-engineered devices, such as the *SafetyGlide* needle, it has seen the number of needlesticks decline dramatically. The hospital also uses *BD's EPINet* software for recording sharps incidents in compliance with federal and state requirements.

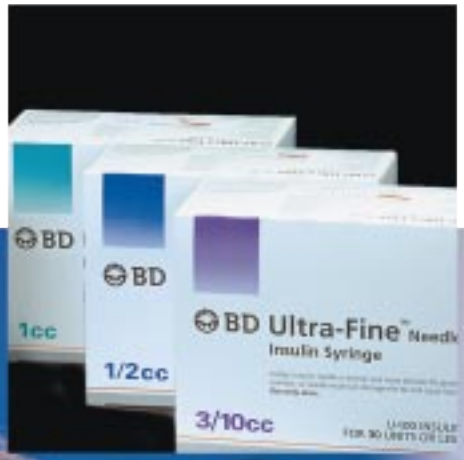
...in the clinical laboratory

Eclipse **blood collection needles feature an integral locking safety shield that clicks into place with a single-handed motion as soon as the needle is withdrawn from the vein.**

As BD converts its manufacturing processes to produce high volumes of safety-engineered devices, it already has the capacity to produce hundreds of millions of safety-engineered blood collection needles annually. The *Vacutainer Eclipse* blood collection needle features a safety shield that is integrated with a standard blood collection needle, and it requires no change in the one-handed venipuncture technique familiar to phlebotomists. The *Eclipse* product and other BD safety-engineered blood collection devices have been selected for exclusive use by Quest Diagnostics, a leader in diagnostic testing, information and related services that in 1999 tested more than 100 million patients. Quest Diagnostics maintains some 1,300 patient service centers and 33 major laboratories throughout the U.S., including the one shown here in Wallingford, Connecticut. Joan Miller, Quest Diagnostics vice president of Quality and Customer Service, says Quest Diagnostics evaluated six manufacturers' devices against criteria that included protection of employee and patient, ease of training and assembly, impact on the venipuncture technique, patient comfort, productivity and disposability, as well as the supplier's breadth of line and capacity. The primary force driving Quest Diagnostics' shift to safety-engineered devices, Miller says, is "our commitment to a safe workplace for our employees. It's the right thing to do."

...in the home

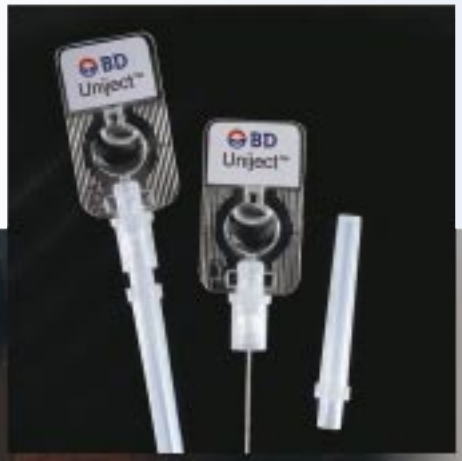
BD is the diabetes healthcare industry leader in insulin injection systems and disease-state management programs.



BD's diabetes healthcare products continue to maintain significant market shares in insulin syringes and pen needles. Studies have shown that the risk of the serious, costly, long-term complications of diabetes can be significantly reduced through better blood sugar control. As a result, healthcare professionals are now prescribing more intensive therapy programs, resulting in more frequent blood glucose tests and insulin injections for people with diabetes. In response, BD is investing in product development activities that can yield more convenient, high quality devices that minimize the discomfort of injection and allow for more effective blood glucose monitoring. It is BD's goal to better meet the needs of people with diabetes worldwide and ensure the company's continued growth in this area. Some 16 million Americans have diabetes. One of them is Cynthia Perez, a 22-year-old Jersey City, New Jersey, college student, who has used BD products since being diagnosed at the age of nine. While Cynthia uses BD syringes, there are promising technologies that may make traditional injections a thing of the past. Two such efforts in which BD is involved are pulmonary delivery (inhalation) and microneedles, which are microscopic needles to deliver insulin painlessly.

...wherever it is humanly possible to deliver them

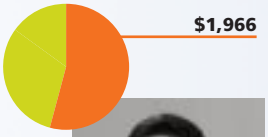
As the only prefilled, auto-disable syringe on the market, BD's *Uniject* syringe has the potential to make a significant impact on public health worldwide.



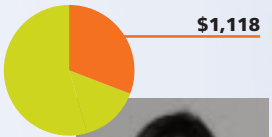
Few regions pose more of a challenge to the delivery of medical care than the remote, rugged hills outside of Yogyakarta, Indonesia, where the accompanying photograph was taken. In small villages hardly larger than settlements, hepatitis B, which manifests itself during adulthood, ends too many lives prematurely. In this environment, BD's *Uniject* syringe succeeds where conventional vaccination devices cannot. Dr. Michael J. Free, vice president and senior advisor for Technologies at PATH (Program for Appropriate Technology in Health), says, "*Uniject* devices change the very realm of what is possible because they allow immunizations to be given by people who have never previously given injections. The hepatitis B vaccine must be given to newborns as close to birth as possible. Since 80 percent of births in Indonesia take place in homes, often in remote locations, babies would not ordinarily receive vaccinations in time to prevent maternal transmission." The program is sponsored by the Indonesian Ministry of Health, the Bill and Melinda Gates Children's Vaccine Program at PATH, and Indonesian vaccine manufacturer Bio Farma. More than one million BD *Uniject* devices will be used over the next few years. In addition, beginning in 2001, vaccine-filled *Uniject* devices will be used in a worldwide campaign organized by UNICEF to eliminate maternal and neonatal tetanus as a public health problem by 2005.

At a Glance

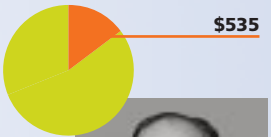
Revenues (Millions of Dollars)



Gary M. Cohen
President
BD Medical Systems



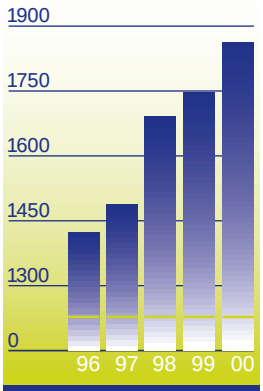
Deborah J. Neff
President
BD Biosciences



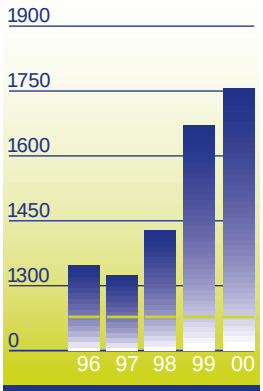
Richard O. Brajer
President
BD Clinical Laboratory Solutions

	BD Medical Systems	BD Biosciences	BD Clinical Laboratory Solutions
Overview	BD Medical Systems is comprised of four primary product areas: 1) "Core Medical," which includes injection syringes and needles, infusion therapy devices, anesthesia needles, surgical blades and scrubs and critical care devices; 2) Consumer Healthcare, including insulin syringes and pen needles, and elastic support products; 3) Pharmaceutical Systems, which sells prefillable injection devices directly to pharmaceutical companies who then provide them in a prefilled format to hospitals and physicians; 4) Ophthalmic Systems, which manufactures ophthalmic surgical blades and cannulas used for eye surgery procedures, primarily cataract surgery.	BD Biosciences is a provider of products and services for researchers and laboratorians around the world, offering integrated solutions for supporting the life sciences and for accelerating the pace of discovery. BD Biosciences offers integrated, high-value applications in drug discovery and development, immune function monitoring, and functional genomics. Customers include academic and government institutions doing basic research in life sciences; biotech and pharma companies engaged in drug discovery and development; and hospitals, reference labs and blood banks performing patient testing and monitoring for quality control. BD Biosciences' research and clinical diagnostic systems are the standard for studying and monitoring patients with HIV.	BD Clinical Laboratory Solutions is a newly formed segment comprised of two major product areas–Preanalytical Solutions and Diagnostic Systems–that were created to provide system solutions to clinical laboratories' most pressing problems. This approach enables BD Clinical Laboratory Solutions to benefit from its well-established presence in the laboratory and to leverage the recognized brand equity of its products, including the *Vacutainer* line of evacuated specimen collection products; the *BACTEC* line of automated blood culture instruments; DNA probes through *BDProbeTec ET*; and Difco industrial microbiology products.
Products/Services	• Needles and syringes for medication delivery • IV catheters and other infusion therapy products • Surgical blades and regional anesthesia products • Ophthalmic surgical products • Safety-engineered injection, infusion and surgery devices • Sharps disposal containers • Insulin delivery devices and diabetes care accessories • Home healthcare products • Elastic support and fever measurement products	• Fluorescence activated cell sorters and analyzers • Monoclonal antibodies and kits • Reagent systems for life sciences research • Tools to aid in drug discovery and growth of tissue cells • Molecular biology products for the study of genes • Diagnostic assays for patient testing and monitoring	• Integrated systems for evacuated blood collection • Safety-engineered specimen collection and disposal products • Innovative systems for specimen collection • Plated media • Automated blood culturing systems • Microorganism identification and drug susceptibility systems • Medication error and specimen management systems • Healthcare consulting and services
Markets Served	• Hospitals and clinics • Physicians' office practices • Consumers and retail pharmacies • Public health agencies • Pharmaceutical companies • Healthcare workers	• Research and clinical laboratories • Hospitals and transplant centers • Blood banks • Biotechnology and pharmaceutical companies	• Hospital laboratories and clinics • Reference laboratories • Blood banks • Healthcare workers • Patients • Physicians' office practices • Industrial microbiology laboratories

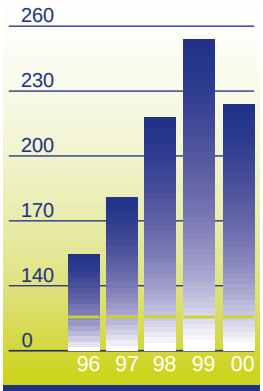
Financial Highlights



U.S. Revenues
(Millions of Dollars)

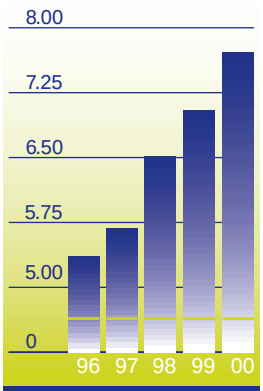


Non-U.S. Revenues
(Millions of Dollars)

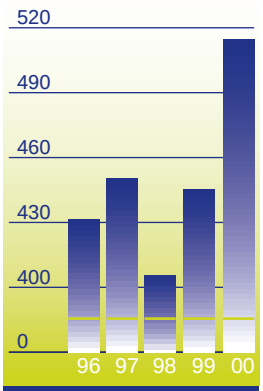


Research and Development Expense*
(Millions of Dollars)

*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.

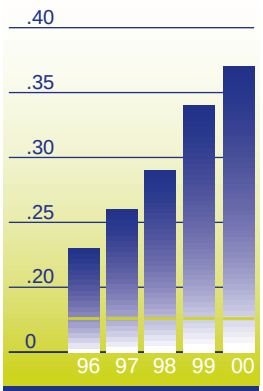


Book Value Per Share
(Dollars)



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.



Dividends Per Common Share
(Dollars)

Summary

Nine-Year Summary of Selected Financial Data

Years Ended September 30

Dollars in millions, except per-share amounts

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

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

(B) Earnings before interest expense and taxes as a percent of average total assets.

(C) Excludes the cumulative effect of accounting changes.

(D) 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[A]	200.8
1.21	1.10	.92	.77	.22[A]	.65
1.15	1.05	.89	.76	.22[A]	.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%[C]	8.5%
15.9%	15.2%	13.3%	11.5%	9.2%[C]	11.1%
22.1%	20.8%	17.5%	15.5%	13.3%[C]	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 manufactures and sells a broad range of supplies, devices and systems for use by healthcare professionals, medical research institutions, industry and the general public. We focus strategically on achieving growth in three worldwide business segments–BD Medical Systems ("Medical"), BD Biosciences ("Biosciences") and BD Preanalytical Solutions ("Preanalytical"). 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.

We now generate close to 50% of our revenues outside the United States. While demand for healthcare products and services continues to be strong worldwide, the ongoing focus on healthcare cost containment around the world, as well as competition in the healthcare marketplace and consolidation in our customer base, have resulted in pricing pressures, particularly in the Medical segment. We will continue to manage these issues by capitalizing on our market-leading positions in many of our product offerings and by leveraging our cost structure.

In the Medical segment, we believe the introduction of new products and the pursuit of other new opportunities provide avenues for continued growth in the healthcare environment. In particular, the U.S. market is poised for broadscale conversion to advanced protection devices due to the growing awareness of benefits of protecting healthcare workers against accidental needlesticks and recently-enacted state and federal legislation requiring use of safety-engineered devices.

The global bioscience business is emerging as a leading growth industry for the new century, as evidenced by recent advances such as sequencing the human genome. Biosciences is a cutting edge toolmaker for science and medicine. Our products serve researchers and laboratories around the world. We are a leader in a number of platforms in the Biosciences segment. In the last few years, we made key acquisitions in the areas of immunology, cell biology, molecular biology and gene cloning. Growth in research products is driven by the expansion in genomic research and increased pharmaceutical and government spending in this area.

In the Preanalytical segment, we have strong market-leading positions. We also have opportunities for further growth in this segment from the U.S. market conversion to advanced protection devices. In addition, there is potential for further growth within our core business. For example, we estimate that only half of the world is converted to evacuated blood collection systems, one of our principal products in this segment.

Revenues and Earnings

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. During the fourth quarter of 2000, we discontinued certain incentive programs with distributors in order to improve supply chain and manufacturing efficiencies, reduce costs and establish closer links with customers. The discontinuance of these incentive programs resulted in an estimated reduction in revenues in 2000 of approximately $50 million.

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 was 6%, excluding the estimated impact of the discontinuance of certain distributor incentive programs and the effect of product lines exited in 1999. Conversion of the U.S. market to advanced protection devices, increased sales of auto-destruct syringes to world health organizations and strong sales of prefillable syringes to pharmaceutical companies contributed to this growth.

Medical operating income in 2000 was $371 million. Medical operating income in 2000 and 1999 was negatively impacted by special and other charges which are discussed below. Excluding these items in both years and the incremental impact of acquisitions, Medical operating income decreased 4% over the prior year reflecting lower sales in the United States resulting from the impact of the discontinuance of certain distributor incentive programs, cost containment pricing pressures, and the unfavorable impact of foreign currency translation. We also experienced slightly lower gross profit margins on our newer advanced protection devices, reflecting a not yet fully automated manufacturing process.

Biosciences revenues in 2000 increased 13% over 1999 to $1.1 billion, with acquisitions contributing 7%. Unfavorable foreign currency translation impacted revenues by an estimated 2%. The underlying revenue growth of 8% was led by strong sales of *BD FACS* brand flow cytometry systems and *BD PharMingen* brand reagents. Tissue culture products also exhibited good revenue growth. Although infectious disease product revenues continue 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 operating income in 2000 was $128 million. Excluding the impact in both years of special charges, purchased in-process research and development charges and the incremental impact of acquisitions, Biosciences operating income increased 9% over the prior year. This performance primarily reflects an improved sales mix, partially offset by increased research and development spending in the area of genomic research and charges of $5 million for product notification costs and inventory write-offs in the fourth quarter of 2000. These costs were associated with the temporary market withdrawal of certain products acquired in 1999 that are being redesigned for re-introduction.

Preanalytical revenues in 2000 rose 5% to $535 million. Unfavorable foreign currency translation impacted revenues by an estimated 3%. The underlying revenue growth of 8% was led by strong sales of advanced protection products and geographic expansion, offset in part by the impact of the discontinuance of certain distributor incentive programs and continued cost containment pricing pressures.

Preanalytical operating income was $123 million in 2000. Excluding special charges in both years, Preanalytical operating income decreased 1% over the prior year, reflecting the impact of the lower sales in the United States resulting from the discontinuance of certain distributor incentive programs and the unfavorable impact of foreign currency translation.

On a geographic basis, revenues outside the United States in 2000 increased 5% to $1.8 billion. Excluding the estimated impact of unfavorable foreign currency translation of 5%, primarily in Europe, revenues outside the United States grew 10%, with acquisitions contributing 2%. The underlying revenue growth was led by strong sales of prefillable syringes, *BD FACS* brand flow cytometry systems in Europe and clinical immunology products in Japan. In addition, increased revenues in the Asia Pacific and Latin America regions contributed to the growth. Continued healthcare cost containment initiatives and certain other pricing pressures in Europe negatively impacted Medical segment revenues.

Revenues in the United States in 2000 were $1.9 billion, an increase of 7%, with acquisitions contributing 4%. Excluding acquisitions and the unfavorable effect of discontinuing certain distributor incentive programs, revenues in the United States grew 6%, reflecting strong sales in advanced protection devices and *BD FACS* brand flow cytometry systems. Revenue growth of infectious disease diagnostic products was 3%, an improvement from prior periods due to strong clinical immunology product performance, primarily in the area of respiratory testing.

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 resulted in the termination of approximately 600 employees. 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 the second quarter of 2000 relating to the recall of certain manufacturing lots of the *BD Insyte Autoguard Shielded IV Catheter*. These charges consisted primarily of costs associated with product returns, disposal of the affected product, and other direct recall costs. We have since adjusted our Insyte Autoguard manufacturing process to address the situation, and shipments of this product resumed at the beginning of the third quarter. 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. 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% last year. 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. This decline reflects a less profitable mix of products sold, pricing pressures in certain markets, higher costs associated with the production scale-up of advanced protection devices. Modest gross profit margin improvement is expected in 2001 as we increase automation of our advanced protection manufacturing processes.

Selling and administrative expense of $974 million in 2000 was 26.9% of revenues, compared to the prior year's 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 the enterprise-wide program to upgrade our business information systems ("Genesis").

Investment in research and development in 2000 was $224 million, or 6.2% of revenues, including a current year $5 million charge for purchased in-process research and development. 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. Research and development expense in 1999 also included in-process research and development charges of $49 million in connection with business acquisitions. 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 last year's $445 million. 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 than in 1999. The impact in 2000 of additional 1999 borrowings to fund acquisitions was partially offset by interest refunds received in connection with the recent 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 6 in the "Notes to Consolidated Financial Statements."

"Other income (expense), net" in 2000 was $4 million higher compared to the prior year. The favorable effect of lower foreign exchange losses, 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 recent 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 last year.

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 primarily in Western Europe; Asia Pacific; Japan; South Latin America, including Brazil; and North Latin America, including Mexico. 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 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 began to purchase option contracts at the end of 2000 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. With respect to the derivative instruments outstanding at September 30, 2000, a 10% appreciation of the U.S. dollar over a one-year period would increase pre-tax earnings by $46 million, while a 10% depreciation of the U.S. dollar would decrease pre-tax earnings by $7 million. Comparatively, considering our derivative instruments outstanding at September 30, 1999, a 10% appreciation or depreciation of the U.S. dollar over a one-year period would not have had a material effect on our earnings. 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. 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. Based on our overall interest rate exposure at September 30, 2000 and 1999, 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, 2000 and 1999 by approximately $46 million and $54 million, respectively. A 10% decrease in interest rates would increase the fair value of our long-term debt at September 30, 2000 and 1999 by approximately $52 million and $61 million, respectively.

Liquidity and Capital Resources

Cash provided by operations continued to be our primary source of funds to finance operating needs and capital expenditures. In 2000, net cash provided by operating activities was $615 million, compared to $432 million in 1999. This increase primarily reflects lower trade receivables compared with last year.

Capital expenditures were $376 million in 2000, compared to $312 million in the prior year. Medical and Preanalytical capital spending, which totaled $247 million and $47 million, respectively in 2000, included spending for capital expansion for advanced protection devices. Biosciences capital spending, which totaled $53 million in 2000, included spending on new manufacturing facilities. Funds expended outside the above segments included amounts related to Genesis.

Net cash used for 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 improved working capital management, particularly in the area of accounts receivable. Short-term debt was 45% of total debt at year end, compared to 40% at the end of 1999. Our weighted average cost of total debt at the end of 2000 was 7.0%, compared to 6.5% at the end of last year. Debt to capitalization at year end improved to 41.4%, from 47.2% last year, reflecting the reduction in total debt discussed above. We anticipate generating excess cash in 2001 which could be available to repay debt.

In 2000, we renewed the 364-day $300 million syndicated line of credit and an additional $100 million credit line for 364 days, both of which supplement our existing five-year, $500 million syndicated and committed revolving credit facility. There were no borrowings outstanding under any of these facilities at September 30, 2000. These facilities can be used to support our commercial paper program, under which $478 million was outstanding at September 30, 2000, 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, 2000 was "A2" by Moody's and "A+" by Standard and Poor's. Our commercial paper rating at September 30, 2000 was "P-1" by Moody's and "A-1" by Standard and 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 increased to 21.1% in 2000, from 16.3% in 1999.

Other Matters

On January 1, 1999, eleven member countries of the European Union began the transition to the euro as a common currency. Prior to the full implementation of the new currency on January 1, 2002, there is a transition period during which parties may use either their national currencies or the euro. We have completed the necessary system modifications to accommodate euro-denominated transactions with suppliers and customers. On October 1, 2000, we converted our accounting systems from the national currencies to the euro. While adoption of a common European currency has resulted in some changes in competitive practices, product pricing and marketing strategies, it has not significantly changed our foreign exchange market risk. Therefore, the euro conversion has not had a materially adverse impact on our results of operations, financial condition or cash flows.

We believe that the fundamentally noncyclical nature of our core products, our international diversification and our ability to meet the needs of the worldwide healthcare industry for cost-effective and innovative products will continue to cushion the long-term impact on BD of economic and political dislocations in the countries in which we do business, including the effects of possible healthcare system reforms. In 2000, 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 390 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 eleven product liability lawsuits relating to healthcare workers who allegedly sustained accidental needlesticks, but have not become infected with any disease. The case brought in California under the caption *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. The case brought in Florida under the caption *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. Cases have been filed on behalf of an unspecified number of healthcare workers in nine other states, seeking class action certification under the laws of these states. To date, no class has been certified in any of these cases. The nine remaining actions are pending in state court in Texas, under the caption *Usrey vs. Becton Dickinson et al*. (Case No. 342-173329-98, Tarrant County District Court), filed on April 9, 1998; in Federal court in Ohio, under the caption *Grant vs. Becton Dickinson et al*. (Case No. C2 98-844, Southern District of Ohio), 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 Pennsylvania, under the caption *Brown vs. Becton Dickinson et al*. (Case No. 03474, Philadelphia County Court of Common Pleas), filed on November 27, 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; and 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. 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 remaining actions.

In June 1999, a class certification hearing was held in the matter of *Usrey vs. Becton Dickinson et al*., which first was filed in Texas state court on April 9, 1998, under the caption *Calvin vs. Becton Dickinson et al*. The Court has advised the parties by letter received on October 27, 1999, that it believes it is appropriate to address the issues in the case by way of a class action under Texas procedural law. We have filed an interlocutory appeal from that ruling. This appeal is currently pending.

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 its 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-3649-99 MT, 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.

We, along with another manufacturer, a group purchasing organization ("GPO") and three hospitals, have been named as a defendant in an antitrust action brought pursuant to the Texas Free Enterprise Act ("TFEA"). The action is pending in state court in Texas, under the caption *Retractable Technologies Inc. vs. Becton Dickinson and Company et al*. (Case No. 5333*JG98, Brazoria County District Court), filed on August 4, 1998. Plaintiff, a manufacturer of retractable syringes, alleges that our contracts with GPOs exclude plaintiff from the market in syringes and blood collection products, in violation of the TFEA. Plaintiff also alleges that we have conspired with other manufacturers to maintain our market share in these products. Plaintiff seeks money damages. This action is in preliminary stages. We intend to mount a vigorous defense in this action.

We, along with another patent holder, have filed an action for patent infringement under the caption *Becton Dickinson and Company et al. vs. B. Braun Medical, Inc*. (Case No. 2:99-CV-00987J, United States District Court for the District of Utah) on December 15, 1999. The defendant has filed a counterclaim against us, and alleges, among other things, that our contacts with group purchasing organizations exclude defendant from the market in IV catheters, in violation of the Sherman, Clayton, and Lanham Acts. Defendant also alleges that we have conspired with other manufacturers to maintain our market share in these products. Defendant seeks money damages. The pending action is in preliminary stages. We intend to prosecute our claim and vigorously defend against this counterclaim.

In the patent infringement litigation under the caption *Critikon, Inc. vs. Becton Dickinson Vascular Access, Inc*. (Civ. 93-108 (JJF), United States District Court for the District of Delaware) the Court, on May 19, 2000, entered judgment in favor of the plaintiff in the aggregate amount of $5.7 million, excluding any potential interest charges. We have filed pending postjudgment motions seeking recalculation of damages on the basis of perceived error in the calculation of damages, in both amount and duration. We will continue to vigorously defend this lawsuit. We have established reserves to cover liabilities, if any, in this matter, based upon our best estimate within the range of probable losses.

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

While it is not possible to predict or determine the outcome of the patent, product liability, antitrust or other legal actions brought against BD, upon resolution of such matters, BD may incur charges in excess of presently 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 our opinion, 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, in our opinion, the results of the above matters are not expected to have a material adverse effect on our consolidated financial condition.

Adoption of New Accounting Standards

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, which is required to be adopted in fiscal years beginning after June 15, 2000. We will adopt the provisions of this Statement effective October 1, 2000. This Statement requires that all derivatives be recorded in the balance sheet as either an asset or liability measured at fair value and that changes in fair value be recognized currently in earnings unless specific hedge accounting criteria are met. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. We began to purchase option contracts at the end of 2000 to mitigate foreign currency translation exposure. The cumulative effect of adoption of this Statement will not be material to our results of operations or financial condition.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." This SAB provides the SEC's views in applying generally accepted accounting principles to selected revenue recognition issues. We are required to adopt the provisions of this SAB no later than our fourth quarter of fiscal 2001. The SEC issued additional guidance on this SAB in October 2000. We are in the process of evaluating this additional guidance and have not yet determined the future impact on our consolidated financial statements.

Reorganization of Reporting Segments

In June 2000, we initiated a plan to change the structure of our internal organization in a manner that, beginning October 1, 2000, will cause the composition of our reportable segments to change. During the first quarter of fiscal year 2001, execution of the planned changes will be finalized so that for the quarter ending December 31, 2000, decisions about resource allocation and performance assessment will be made separately for the reorganized Medical Systems segment, the new Clinical Laboratory Solutions segment and the reorganized Biosciences segment. As of December 31, 2000, financial reporting for these three segments will be presented and the corresponding information for earlier periods will be restated to reflect the new segment reporting structure.

1999 Compared with 1998

Worldwide revenues in 1999 were $3.4 billion, an increase of 10% over 1998, with acquisitions contributing 5%. The impact of foreign currency translation on revenue growth was not significant. Underlying revenue growth, which excludes the effects of foreign currency translation and acquisitions, resulted primarily from volume increases in all segments. Medical revenues in 1999 increased 12% over 1998 to $1.9 billion with acquisitions contributing 8%. Underlying revenue growth was led by strong sales of pre-fillable syringes to pharmaceutical companies and increased sales of infusion therapy products, particularly advanced protection devices. Underperformance of home healthcare products unfavorably affected revenue growth in 1999. Biosciences revenues in 1999 increased 7% over 1998 to $986 million with acquisitions contributing 2%. Underlying revenue growth was led by market share gains in flow cytometry products fueled by the continued introduction of innovative new products. Infectious disease product revenues continued to be adversely affected by cost containment in testing in the United States. Preanalytical revenues in 1999 increased 6% over 1998 to $509 million. Significant volume increases in advanced protection devices were partially offset by cost containment pricing pressures in several markets.

Gross profit margin was 49.9% in 1999, compared with 50.6% in 1998. Excluding the impact of other charges relating to the exited product lines, as discussed earlier, gross profit margin was 50.7% in 1999.

Selling and administrative expense of $932 million in 1999 was 27.3% of revenues. Excluding reengineering and other charges relating to Genesis, as discussed below, selling and administrative expense in 1999 was 26.8% of revenues. The 1998 ratio was 27.6%, or 27.0% excluding reengineering charges for Genesis. Savings achieved through spending controls and productivity improvements offset increased investment relating to advanced protection programs and the impact of acquisitions.

Investment in research and development in 1999 increased to $254 million, or 7.4% of revenues, including the $49 million charge for purchased in-process research and development related to 1999 acquisitions. In 1998, we recorded a charge of $30 million for purchased in-process research and development associated with an acquisition. Excluding the effect of purchased in-process research and development in both years, investment in research and development was 6% of revenues, or an increase of 9% over 1998. This increase included additional funding directed toward the development of advanced protection devices and new diagnostic platforms.

We recorded special charges of $76 million during 1999, as discussed earlier. 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. The plan for restructuring our manufacturing operations included the closure of a surgical blade plant in the United States, scheduled for the first half of fiscal year 2002. We also recorded $22 million of charges in 1998 associated with the reengineering component of Genesis. The majority of these charges were included in selling and administrative expense.

Operating income in 1999 was $445 million, compared to $405 million in 1998. Excluding the impact of special and other charges and purchased in-process research and development charges, operating income would have been 17.4% of revenues in 1999. Operating income of $405 million in 1998 also included certain charges, as discussed above.

Net interest expense of $72 million in 1999 was $16 million higher than in 1998, primarily due to additional borrowings to fund acquisitions.

"Other (expense) income, net" in 1999 was $1 million of net expense, compared to $8 million of net expense in 1998, primarily due to lower foreign exchange losses, gains on the sale of assets, as well as settlements in 1999.

The effective tax rate in 1999 was 26.0%, compared to 30.6% in 1998. The decrease is principally due to a $7 million favorable tax judgment in Brazil and a favorable mix in income among tax jurisdictions, partially offset by the lack of a tax benefit associated with a larger purchased in-process research and development charge recorded in 1999 as compared to 1998.

Net income in 1999 was $276 million, compared to $237 million in 1998. Diluted earnings per share in 1999 were $1.04, compared to $.90 in 1998. Excluding the special and other charges and purchased in-process research and development charges, diluted earnings per share in 1999 were $1.49. Diluted earnings per share of $.90 in 1998 also included certain charges, as discussed above.

Capital expenditures were $312 million, compared to $181 million in 1998, reflecting additional spending for capacity expansion for advanced protection devices. Medical, Biosciences and Preanalytical capital spending totaled $188 million, $42 million and $54 million, respectively, in 1999.

Net cash provided by financing activities was $365 million during 1999, as compared to $242 million during 1998. This change was primarily due to the elimination of common share repurchases and to increased issuance of commercial paper in 1999, compared with 1998, offset by the repayment of long-term debt.

During 1999, total debt increased $435 million, primarily as a result of increased spending on acquisitions. Short-term debt was 40% of total debt at year end, compared to

33% at the end of 1998. The change in this percentage was principally attributable to the use of short-term debt to finance a portion of our acquisition activities. In September 1999, we issued to the public $200 million of 10-year 7.15% notes at an effective yield of 7.34%. We utilized the proceeds to repay commercial paper.

Return on equity increased to 16.3% in 1999, from 15.8% in 1998.

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 a projected level or mix of product sales.
- Product efficacy or safety concerns resulting in product recalls, regulatory action on the part of the Federal 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 four 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, 2000 and 1999, and the related consolidated statements of income, comprehensive income, and cash flows for each of the three years in the period ended September 30, 2000. 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, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2000, in conformity with accounting principles generally accepted in the United States.

New York, New York
November 7, 2000

Financial Statements

Consolidated Statements of Income

Years Ended September 30

Thousands of dollars, except per-share amounts

	2000	1999	1998
Operations			
Revenues	**$3,618,334**	$3,418,412	$3,116,873
Cost of products sold	**1,848,332**	1,711,666	1,541,032
Selling and administrative expense	**973,902**	931,929	861,564
Research and development expense	**223,782**	254,016	217,900
Special charges	**57,514**	75,553	90,945
Total Operating Costs and Expenses	**3,103,530**	2,973,164	2,711,441
Operating Income	**514,804**	445,248	405,432
Interest expense, net	**(74,197)**	(72,052)	(56,340)
Gains on investments, net	**76,213**	—	—
Other income (expense), net	**3,114**	(541)	(8,226)
Income Before Income Taxes	**519,934**	372,655	340,866
Income tax provision	**127,037**	96,936	104,298
Net Income	**$ 392,897**	$ 275,719	$ 236,568
Earnings Per Share			
Basic	**$ 1.54**	$ 1.09	$ .95
Diluted	**$ 1.49**	$ 1.04	$ .90

See notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

Years Ended September 30
Thousands of dollars

	2000	1999	1998
Net Income	**$392,897**	$275,719	$236,568
Other Comprehensive (Loss) Income, Net of Tax			
Foreign currency translation adjustments	**(161,304)**	(96,548)	3,654
Unrealized gains (losses) on investments, net of amounts realized	**2,558**	(2,879)	—
Other Comprehensive (Loss) Income	**(158,746)**	(99,427)	3,654
Comprehensive Income	**$234,151**	$176,292	$240,222

See notes to consolidated financial statements

Consolidated Balance Sheets

September 30

Thousands of dollars, except per-share amounts

	2000	1999
Assets		
Current Assets		
Cash and equivalents	**$ 49,196**	$ 59,932
Short-term investments	**5,561**	4,660
Trade receivables, net	**751,720**	812,544
Inventories	**678,676**	642,533
Prepaid expenses, deferred taxes and other	**175,524**	164,056
Total Current Assets	**1,660,677**	1,683,725
Property, Plant and Equipment, Net	**1,576,058**	1,431,149
Goodwill, Net	**466,343**	526,942
Core and Developed Technology, Net	**309,061**	329,460
Other Intangibles, Net	**172,720**	178,285
Other	**320,237**	287,397
Total Assets	**$4,505,096**	$4,436,958
Liabilities		
Current Liabilities		
Short-term debt	**$ 637,735**	$ 631,254
Accounts payable	**183,967**	209,365
Accrued expenses	**282,672**	284,097
Salaries, wages and related items	**216,884**	181,203
Income taxes	**32,280**	23,403
Total Current Liabilities	**1,353,538**	1,329,322
Long-Term Debt	**779,569**	954,169
Long-Term Employee Benefit Obligations	**329,497**	344,068
Deferred Income Taxes and Other	**86,494**	40,711
Commitments and Contingencies	**—**	—
Shareholders' Equity		
ESOP convertible preferred stock–$1 par value: authorized–1,016,949 shares; issued and outstanding–738,472 shares in 2000 and 791,821 shares in 1999	**43,570**	46,717
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 2000 and 1999	**332,662**	332,662
Capital in excess of par value	**75,075**	44,626
Retained earnings	**2,835,908**	2,539,020
Unearned ESOP compensation	**(16,155)**	(20,310)
Deferred compensation	**6,490**	5,949
Common shares in treasury–at cost–79,165,708 shares in 2000 and 81,864,329 shares in 1999	**(980,163)**	(997,333)
Accumulated other comprehensive loss	**(341,389)**	(182,643)
Total Shareholders' Equity	**1,955,998**	1,768,688
Total Liabilities and Shareholders' Equity	**$4,505,096**	$4,436,958

See notes to consolidated financial statements

Consolidated Statements of Cash Flows

Years Ended September 30
Thousands of dollars

	2000	1999	1998
Operating Activities			
Net income	**$392,897**	$275,719	$236,568
Adjustments to net income to derive net cash provided by operating activities:			
Depreciation and amortization	**288,255**	258,863	228,749
Non-cash special charges	**4,543**	57,538	58,445
Deferred income taxes	**37,246**	4,575	(32,332)
Gains on investments, net	**(76,213)**	—	—
Purchased in-process research and development from business combinations	**—**	48,800	30,000
Change in operating assets (excludes impact of acquisitions):			
Trade receivables	**11,688**	(94,371)	(77,649)
Inventories	**(64,663)**	(131,592)	(54,066)
Prepaid expenses, deferred taxes and other	**(12,106)**	(24,520)	(42,378)
Accounts payable, income taxes and other liabilities	**44,854**	17,009	133,500
Other, net	**(11,008)**	19,771	19,925
Net Cash Provided by Operating Activities	**615,493**	431,792	500,762
Investing Activities			
Capital expenditures	**(376,372)**	(311,547)	(181,416)
Acquisitions of businesses, net of cash acquired	**(21,272)**	(374,221)	(536,501)
Proceeds (purchases) of short-term investments, net	**1,299**	3,452	(3,197)
Proceeds from sales of long-term investments	**101,751**	—	26,709
Purchases of long-term investments	**(9,273)**	(25,065)	(18,925)
Capitalized internal-use software	**(50,397)**	(65,036)	(25,605)
Other, net	**(49,135)**	(43,431)	(30,833)
Net Cash Used for Investing Activities	**(403,399)**	(815,848)	(769,768)
Financing Activities			
Change in short-term debt	**(98,496)**	346,772	127,802
Proceeds of long-term debt	**948**	197,534	190,639
Payment of long-term debt	**(60,923)**	(118,332)	(2,951)
Issuance of common stock	**34,724**	26,803	46,013
Repurchase of common stock	**—**	—	(44,476)
Dividends paid	**(95,749)**	(88,050)	(75,332)
Net Cash (Used for) Provided by Financing Activities	**(219,496)**	364,727	241,695
Effect of exchange rate changes on cash and equivalents	**(3,334)**	(3,990)	(2,077)
Net Decrease in Cash and Equivalents	**(10,736)**	(23,319)	(29,388)
Opening Cash and Equivalents	**59,932**	83,251	112,639
Closing Cash and Equivalents	**$ 49,196**	$ 59,932	$ 83,251

See notes to consolidated financial statements

Notes to Consolidated Financial Statements

Thousands of dollars, except per-share amounts

Index

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 $168,846, $158,202, and $149,957 in fiscal 2000, 1999, and 1998, 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.

Revenue Recognition

Substantially all revenue is recognized when products are shipped to customers. In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." This SAB provides the SEC's views in applying generally accepted accounting principles to selected revenue recognition issues. The Company is required to adopt the provisions of this SAB no later than its fourth quarter of fiscal 2001. The SEC issued additional guidance on this SAB in October 2000. The Company is in the process of evaluating this additional guidance and has not yet determined the future impact on its consolidated financial statements.

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 and Puerto Rican 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 generally accepted accounting principles 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
Derivative financial instruments are utilized by the Company in the management of its foreign currency and interest rate exposures. The Company does not use derivative financial instruments for trading or speculative purposes.

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 Statement of Financial Accounting Standards ("SFAS") No. 115.

At the end of fiscal 2000, the Company began to purchase option contracts to hedge anticipated sales from the United States to foreign customers. The contracts are designated and effective as hedges of those future transactions.

The Company accounts for derivative financial instruments using the deferral method of accounting when such instruments are intended to hedge identifiable firm foreign currency commitments or anticipated transactions and are designated as, and effective as, hedges. Foreign exchange exposures arising from certain receivables, payables, and short-term borrowings that do not meet the criteria for the deferral method are marked to market. Resulting gains and losses are recognized currently in Other income (expense), net, largely offsetting the respective losses and gains recognized on the underlying exposures.

The Company designates its interest rate hedge agreements as hedges of the underlying debt. Interest expense on the debt is adjusted to include the payments made or received under such hedge agreements.

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 Acquisitions

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. The 1999 results of operations included charges of $48,800 for purchased in-process research and development in connection with three of these acquisitions. Included in 1999 acquisitions is the purchase of Clontech Laboratories, Inc. ("Clontech"), for approximately $201,000 in cash. In connection with this acquisition, a charge of $32,000 for purchased in-process research and development was included in the results of operations for the Biosciences segment. 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 either 1999 or 1998.

During fiscal year 1998, the Company acquired six businesses for an aggregate of $545,603 in cash and 595,520 shares of the Company's common stock, or 297,760 shares on a pre-split basis. Included in 1998 acquisitions is the purchase of the Medical Devices Division ("MDD") of The BOC Group for approximately $457,000 in cash. In connection with this acquisition, a charge of $30,000 for purchased in-process research and development was included in the 1998 results of operations. Intangibles related to MDD are being amortized on a straight-line basis over their useful lives, which range from 15 to 25 years. The assumed liabilities for the MDD acquisition included approximately $14,300 for severance and exit costs associated with the integration of certain MDD administrative functions. These liabilities were fully paid by the second quarter of fiscal 2000.

The following unaudited pro forma data summarizes the results of operations for the year ended September 30, 1998 as if the MDD acquisition had been completed as of the beginning of the period. The pro forma data give effect to actual operating results prior to the acquisition, adjusted to include the pro forma effect of interest expense, amortization of intangibles, income taxes and the charge for purchased in-process research and development noted earlier. These pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisition occurred as of the beginning of the period presented or that may be obtained in the future. Unaudited pro forma consolidated revenues, net income, basic earnings per share, and diluted earnings per share would have been $3,206,837, $227,664, $.91, and $.86 for fiscal 1998, respectively.

In connection with the acquisition of Difco Laboratories Incorporated in 1997, the Company assumed liabilities for severance and other exit costs associated with the closing of certain facilities of approximately $17,500, which were paid as of September 30, 2000.

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. In-process research and development charges represent the fair value of certain acquired research and development projects that were determined to have not reached technological feasibility and do not have alternative future uses.

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:

	2000	1999	1998
Total expense of the Savings Incentive Plan	**$3,442**	$3,851	$4,183
Compensation expense (included in total expense above)	**$2,017**	$1,845	$1,975
Dividends on ESOP shares used for debt service	**$2,916**	$3,114	$3,235
Number of preferred shares allocated at September 30	**441,530**	411,727	373,884

The Company guarantees employees' contributions to the fixed income fund of the Savings Incentive Plan. The amount guaranteed was $88,826 at September 30, 2000.

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 healthcare 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, 2000 and 1999 for these plans were as follows:

	Pension Plans		Other Postretirement Benefits	
	2000	1999	**2000**	1999
Change in benefit obligation:				
Benefit obligation at beginning of year	**$614,591**	$648,526	**$ 181,830**	$ 183,633
Service cost	**32,743**	33,204	**2,236**	3,147
Interest cost	**43,213**	41,007	**13,505**	11,935
Plan amendments	**17,351**	(22,933)	**45**	—
Benefits paid	**(55,196)**	(63,003)	**(15,967)**	(12,294)
Actuarial loss (gain)	**20,465**	(18,480)	**3,776**	(4,591)
Curtailment gain	**(1,887)**	(1,917)	**—**	—
Other, primarily translation	**(16,692)**	(1,813)	**—**	—
Benefit obligation at end of year	**$654,588**	$614,591	**$ 185,425**	$ 181,830
Change in plan assets:				
Fair value of plan assets at beginning of year	**$598,509**	$583,963	**$ —**	$ —
Actual return on plan assets	**48,454**	66,804	**—**	—
Employer contribution	**16,787**	13,789	**—**	—
Benefits paid	**(55,196)**	(63,003)	**—**	—
Other, primarily translation	**(15,719)**	(3,044)	**—**	—
Fair value of plan assets at end of year	**$592,835**	$598,509	**$ —**	$ —
Funded status:				
Unfunded benefit obligation	**$ (61,753)**	$ (16,082)	**$(185,425)**	$(181,830)
Unrecognized net transition obligation	**1,601**	952	**—**	—
Unrecognized prior service cost	**(4,536)**	(22,213)	**(47,602)**	(53,664)
Unrecognized net actuarial (gain) loss	**(27,003)**	(58,866)	**22,893**	19,812
Accrued benefit cost	**$ (91,691)**	$ (96,209)	**$ (210,134)**	$(215,682)
Amounts recognized in the consolidated balance sheets consisted of:				
Prepaid benefit cost	**$ 13,519**	$ 11,161	**$ —**	$ —
Accrued benefit cost	**(105,210)**	(107,370)	**(210,134)**	(215,682)
Net amount recognized	**$ (91,691)**	$ (96,209)	**$ (210,134)**	$(215,682)

Foreign pension plan assets at fair value included in the preceding table were $131,938 and $124,099 at September 30, 2000 and 1999, respectively. The foreign pension plan projected benefit obligations were $137,360 and $137,836 at September 30, 2000 and 1999, 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 $38,960, $33,169 and $18,539, respectively as of September 30, 2000, and $48,635, $39,809 and $20,519, respectively as of September 30, 1999.

Net pension and postretirement expense included the following components:

	Pension Plans			Other Postretirement Benefits		
	2000	1999	1998	**2000**	1999	1998
Components of net pension and postretirement costs:						
Service cost	**$ 32,743**	$ 33,204	$ 27,912	**$ 2,237**	$ 3,147	$ 2,239
Interest cost	**43,213**	41,007	40,242	**13,505**	11,935	12,015
Expected return on plan assets	**(58,880)**	(60,837)	(54,300)	**—**	—	—
Amortization of prior service cost	**(1,212)**	(687)	86	**(6,017)**	(6,021)	(6,312)
Amortization of (gain) loss	**(659)**	(306)	(2,331)	**694**	1,460	721
Amortization of net obligation	**(575)**	(598)	(626)	**—**	—	—
Curtailment gain	**(1,528)**	(1,917)	—	**—**	—	—
Special termination benefits	**143**	—	—	**—**	—	—
Net pension and postretirement costs	**$ 13,245**	$ 9,866	$ 10,983	**$10,419**	$10,521	$ 8,663

Net pension expense attributable to foreign plans included in the preceding table was $8,580, $8,721 and $4,902 in 2000, 1999 and 1998, 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		Other Postretirement Benefits	
	2000	1999	**2000**	1999
Discount rate:				
U.S. plans	**7.75%**	7.75%	**7.75%**	7.75%
Foreign plans (average)	**6.07%**	6.18%	**—**	—
Expected return on plan assets:				
U.S. plans	**11.00%**	11.00%	**—**	—
Foreign plans (average)	**7.14%**	7.31%	**—**	—
Rate of compensation increase:				
U.S. plans	**4.25%**	4.25%	**4.25%**	4.25%
Foreign plans (average)	**3.56%**	3.85%	**—**	—

Healthcare cost trends of 9% pre-age 65 and 6% post-age 65 were assumed in the valuation of postretirement healthcare benefits at both September 30, 2000 and 1999. These rates were assumed to decrease to an ultimate rate of 6% beginning in 2003 for pre-age 65 and 2001 for post-age 65. A one percentage point increase in healthcare cost trend rates in each year would increase the accumulated postretirement benefit obligation as of September 30, 2000 by $10,180 and the aggregate of the service cost and interest cost components of 2000 annual expense by $789. 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, 2000 by $8,647 and the aggregate of the 2000 service cost and interest cost by $671.

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 $22,364, $22,842, and $24,015 in 2000, 1999 and 1998, respectively.

5 Special and Other Charges

During the fourth quarter of 2000, the Company recorded special charges of $57,514. Of these charges, $31,700 related to severance costs associated with a worldwide organizational restructuring which will result in the termination of approximately 600 employees from various functions worldwide. The Company expects the majority of these terminations to occur within the first half of the coming year and the remainder by the end of fiscal 2001. Special charges in 2000 also included $5,800 for the write-down of impaired fixed assets held for sale in the BD Medical Systems segment and other exit costs related to this restructuring program, as well as $20,000 for estimated litigation defense costs associated with the Company's divested latex glove business.

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.

The Company recorded special charges in fiscal years 1999 and 1998 associated with restructuring programs, primarily designed to improve the Company's cost structure, refocus certain businesses, and write down impaired assets.

During 1999, the Company recorded special charges of $75,553. Of these charges, $46,125 were associated with the write-off of intangibles, as well as other costs relating to the Company's decision to exit certain product lines, primarily in the area of home healthcare within the BD Medical Systems segment. The Company completed its implementation of the exit plans in 1999. 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.

Fiscal 1999 special charges also included $17,857, primarily for the write-down of certain investment assets related to various product development ventures, primarily in the BD Medical Systems segment, that the Company will no longer pursue. The Company's decision to refocus certain businesses and the continued decline in sales volume for selected products indicated impairment, which required a reassessment of the recoverability of the underlying assets. An impairment loss was recorded as a result of the carrying amounts of these assets exceeding their recoverable values, based on discounted future cash flow estimates.

Special charges in 1999 also included $17,871 in special termination and severance benefits associated with an enhanced retirement incentive program. This program was offered to 176 employees meeting certain age and service requirements at selected locations. The related expenses for separation pay and enhanced pension and retirement benefits were recorded to special charges upon acceptance by 133 participants.

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 discussed earlier.

During 1998, the Company recorded special charges of $90,945, primarily associated with the restructuring of certain manufacturing operations and the write-down of impaired assets. The restructuring plan included approximately $35,000 in special charges related primarily to severance and other termination costs and losses from the disposal of assets. As discussed earlier, the Company reversed $6,300 of these charges in 1999 as a result of the decision not to exit certain activities as had originally been planned. As of September 30, 2000, approximately 100 employees were terminated, and the Company expects that an additional 150 people will be affected by this plan, upon the closure of a surgical blade plant in the United States, scheduled for the first half of fiscal year 2002. The remaining 1998 restructuring accruals related to this closure consist primarily of severance.

The write-down of assets in 1998 included approximately $38,000 in special charges to recognize an impairment loss related primarily to goodwill associated with prior acquisitions in the BD Biosciences segment. The sustained decline in sales volume of manual microbiology products within this segment, combined with the Company's increased focus on new and developing alternative technologies, created an impairment indicator that required a reassessment of recoverability. An 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 remaining special charges of approximately $18,000 consisted of various other one-time charges.

A summary of the activity for the accruals and other components of special charges follows:

	Accrual Activity			Special Termination	Asset	Total Special
	Severance	Restructuring	Other	Benefits	Write Downs	Charges
1998 Special Charges	$13,000	$ 4,500	$15,100	$ 2,400	$55,945	$90,945
Payments	(500)	(50)	(2,400)			
Accrual Balance at September 30, 1998	12,500	4,450	12,700			
1999 Special Charges [A]	5,600	11,700	2,500	$13,200	$42,553	$75,553
Payments	(5,000)	(6,900)	(9,100)			
Accrual Balance at September 30, 1999	13,100	9,250	6,100			
2000 Special Charges	**31,700**	**1,300**	**20,000**	**—**	**$ 4,514**	**$57,514**
Payments	**(4,800)**	**(7,500)**	**(4,500)**			
Accrual Balance at September 30, 2000	**$40,000**	**$ 3,050**	**$21,600**			

(A) Includes reversals of 1998 special charges of $1,500 for severance and $4,800 for asset write downs.

The Company also recorded $22,000 of charges in 1998 associated with the reengineering of business processes relating to the enterprise-wide program to upgrade its business systems. The majority of these charges were included in Selling and administrative expense.

6 Gains on Investments, Net

Gains on investments, net in 2000 related primarily to transactions involving two equity investments.

The Company sold portions of an investment in the second and fourth quarters for net gains of $33,159 and $11,349 before taxes, respectively. The proceeds from these sales were $37,992 and $14,514, respectively. The cost of this investment was determined based upon the specific identification method. The Company had entered into a forward sale contract to hedge the proceeds from the anticipated sale in the fourth quarter.

During the third quarter, 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. During the third quarter, the Company 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.

7 Other Income (Expense), Net

Other income, net in 2000 included income of $7,089 associated with settlements and a $2,517 gain on an investment hedge. Also included in Other income, net were foreign exchange losses of $5,849, including 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.

Other (expense), net in 1998 included foreign exchange losses of $11,038, including hedging costs, and a gain of $2,909 on the sale of an asset.

8 Income Taxes

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

	2000	1999	1998
Current:			
Domestic:			
Federal	**$ 20,201**	$ 27,303	$ 67,740
State and local, including Puerto Rico	**13,843**	12,127	35,078
Foreign	**55,747**	52,931	33,812
	89,791	92,361	136,630
Deferred:			
Domestic	**35,029**	15,138	(30,349)
Foreign	**2,217**	(10,563)	(1,983)
	37,246	4,575	(32,332)
	$127,037	$ 96,936	$104,298

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, 2000 and 1999, net current deferred tax assets of $65,731 and $60,119, respectively, were included in Prepaid expenses, deferred taxes and other. Net non-current deferred tax assets of $917 and $3,890, respectively, were included in Other non-current assets. Net current deferred tax liabilities of $991 and $1,067, respectively, were included in Current Liabilities–Income taxes. Net non-current deferred tax liabilities of $51,117 and $4,003, respectively, were included in Deferred Income Taxes and Other. Deferred taxes are not provided on substantially all undistributed earnings of foreign and Puerto Rican subsidiaries. At September 30, 2000, the cumulative amount of such undistributed earnings approximated $1,335,000 against which United States tax-free liquidation provisions or 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:

	2000		1999		1998	
	Assets	**Liabilities**	Assets	Liabilities	Assets	Liabilities
Compensation and benefits	**$158,167**	**$ —**	$150,214	$ —	$144,719	**$ —**
Property and equipment	**—**	**109,419**	—	92,608	—	100,741
Purchase acquisition adjustments	**—**	**98,472**	—	104,269	—	29,618
Other	**199,726**	**118,186**	187,626	70,867	147,449	44,408
	357,893	**326,077**	337,840	267,744	292,168	174,767
Valuation allowance	**(17,276)**	**—**	(11,157)	—	(10,339)	—
	$340,617	**$326,077**	$326,683	$267,744	$281,829	$174,767

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

	2000	1999	1998
Federal statutory tax rate	**35.0%**	35.0%	35.0%
State and local income taxes, net of federal tax benefit	**.9**	.4	.1
Effect of foreign and Puerto Rican income and foreign tax credits	**(8.7)**	(10.8)	(6.1)
Research tax credit	**(1.6)**	(2.5)	(1.6)
Purchased in-process research and development	**.3**	4.6	3.1
Adjustments to estimated liability for prior years' taxes	**(2.0)**	—	—
Other, net	**.5**	(.7)	.1
	24.4%	26.0%	30.6%

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: 2000–$40,500 and $.15; 1999–$30,400 and $.11; and 1998–$18,000 and $.07. The tax holidays expire at various dates through 2018.

The Company made income tax payments, net of refunds, of $51,010 in 2000, $80,334 in 1999, and $117,321 in 1998.

The components of Income Before Income Taxes follow:

	2000	1999	1998
Domestic, including Puerto Rico	**$285,228**	$177,520	$238,109
Foreign	**234,706**	195,135	102,757
	$519,934	$372,655	$340,866

9 Supplemental Balance Sheet Information

Trade Receivables

Allowances for doubtful accounts and cash discounts netted against trade receivables were $43,642 and $49,036 at September 30, 2000 and 1999, respectively.

Inventories	2000	1999
Materials	**$ 156,918**	$ 160,332
Work in process	**110,843**	94,627
Finished products	**410,915**	387,574
	$ 678,676	$ 642,533

Inventories valued under the LIFO method were $437,254 in 2000 and $354,071 in 1999. Inventories valued under the LIFO method would have been higher by approximately $9,500 in 2000 and $17,000 in 1999, if valued on a current cost basis.

Property, Plant and Equipment	2000	1999
Land	**$ 61,550**	$ 64,497
Buildings	**960,889**	938,859
Machinery, equipment and fixtures	**2,094,178**	1,888,169
Leasehold improvements	**46,483**	41,279
	3,163,100	2,932,804
Less allowances for depreciation and amortization	**1,587,042**	1,501,655
	$1,576,058	$1,431,149

Goodwill	2000	1999
Goodwill	**$ 599,850**	$ 636,362
Less accumulated amortization	**133,507**	109,420
	$ 466,343	$ 526,942

Core and Developed Technology	2000	1999
Core and developed technology	**$ 353,207**	$ 353,207
Less accumulated amortization	**44,146**	23,747
	$ 309,061	$ 329,460

Other Intangibles	2000	1999
Patents and other	**$ 351,250**	$ 337,871
Less accumulated amortization	**178,530**	159,586
	$ 172,720	$ 178,285

10 Debt

The components of Short-term debt follow:

	2000	1999
Loans payable:		
Domestic	**$478,236**	$572,810
Foreign	**50,662**	51,289
Current portion of long-term debt	**108,837**	7,155
	$637,735	$631,254

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 6.5% and 5.3% at September 30, 2000 and 1999, respectively. The Company has available committed credit facilities of $100,000 expiring in March 2001, $300,000 expiring in August 2001 and $500,000 expiring in November 2001. All of these facilities support the Company's commercial paper borrowing program and can also be used for other general corporate purposes. Restrictive covenants under these agreements include a minimum interest coverage ratio. There were no borrowings outstanding under these facilities at September 30, 2000. In addition, the Company had unused short-term foreign lines of credit pursuant to informal arrangements of approximately $202,000 and $243,000 at September 30, 2000 and 1999, respectively.

The components of Long-Term Debt follow:

	2000	1999
Domestic notes due through 2015 (average year-end interest rate: 5.7%–2000; 5.5%–1999)	**$ 16,674**	$ 16,596
Foreign notes due through 2011 (average year-end interest rate: 4.7%–2000; 4.6%–1999)	**10,580**	14,435
8.80% Notes due March 1, 2001	**—**	100,000
9.45% Guaranteed ESOP Notes due through July 1, 2004	**17,265**	23,138
6.90% Notes due October 1, 2006	**100,000**	100,000
7.15% Notes due October 1, 2009	**200,000**	200,000
8.70% Debentures due January 15, 2025	**100,000**	100,000
7.00% Debentures due August 1, 2027	**168,000**	200,000
6.70% Debentures due August 1, 2028	**167,050**	200,000
	$779,569	$954,169

In September 1999, the Company issued $200,000 of 7.15% notes due on October 1, 2009. The effective yield of the notes including the results of an interest rate hedge and other financing costs was 7.34%.

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, 2002 to 2005 are as follows: 2002–$8,838; 2003–$8,981; 2004–$5,553; 2005–$956.

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

	2000	1999	1998
Charged to operations	**$ 86,511**	$76,738	$65,584
Capitalized	**24,946**	14,655	10,011
	$111,457	$91,393	$75,595

Interest paid, net of amounts capitalized, was $78,272 in 2000, $77,681 in 1999 and $64,160 in 1998.

11
Financial Instruments

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. 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, 2000 and 1999 were as follows:

	2000		1999	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Other investments (non-current)[A]	**$ 9,125**	**$ 8,582**	$ 15,413	$ 10,534
Currency options[B]	**9,785**	**9,797**	106	65
Forward exchange contracts[B]	**1,438**	**730**	148	158
Long-term debt	**779,569**	**737,225**	954,169	928,809

(A) Included in Other non-current assets.

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

Off-Balance Sheet Risk

The Company has certain receivables, payables and short-term borrowings denominated in currencies other than the functional currency of the Company and its subsidiaries. During the year, the Company hedged substantially all of these exposures by entering into forward exchange contracts and currency options. The Company's foreign currency risk exposure is primarily in Western Europe, Asia Pacific, Japan, Brazil and Mexico.

On September 29, 2000, the Company began to purchase option contracts to hedge anticipated sales from the United States to foreign customers, primarily in Western Europe and Japan.

At September 30, the stated or notional amounts of the Company's outstanding forward exchange contracts and currency options, classified as held for purposes other than trading, were as follows:

	2000	1999
Forward exchange contracts	**$467,474**	$396,981
Currency options	**410,072**	22,000
	$877,546	$418,981

At September 30, 2000, $564,963 of the forward exchange contracts and currency options mature within 90 days and $312,583 at various other dates in fiscal 2001.

The Company's foreign exchange hedging activities do not generally create exchange rate risk since gains and losses on these contracts generally offset losses and gains on the underlying positions.

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, which is required to be adopted in fiscal years beginning after June 15, 2000. The Company will adopt the provisions of this Statement effective October 1, 2000. This Statement requires that all derivatives be recorded in the balance sheet as either an asset or liability measured at fair value and that changes in fair value be recognized currently in earnings unless specific hedge accounting criteria are met. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Company began to purchase option contracts at the end of fiscal 2000 to partially protect against foreign currency translation exposure. The cumulative effect of adoption of this Statement will not be material to our results of operations or financial condition.

Concentration Of Credit Risk

Substantially all of the Company's trade receivables are due from public and private entities involved in the healthcare 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. The Company minimizes exposure to such risk, however, by dealing only with major international banks and financial institutions.

12 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, 1997	$51,111	$167,245	$83,422	$2,249,463	$(28,620)	$ —	(45,161,091)	$(1,050,318)
Net income				236,568				
Cash dividends:								
Common ($.29 per share)				(71,265)				
Preferred ($3.835 per share), net of tax benefits				(2,592)				
Common stock issued for:								
Employee stock plans, net			49,303				2,469,852	29,817
Business acquisition			15,314				297,760	3,886
Repurchase of common stock							(913,500)	(44,476)
Common stock held in trusts						4,903	(14,769)	(882)
Retirement of common stock		(914)	(730)	(42,832)			913,500	44,476
Reduction in unearned ESOP compensation for the year					4,157			
Adjustment for redemption provisions	(2,152)		461				130,845	1,691
Two-for-one stock split		166,331	(147,770)	(18,561)			(42,541,541)	
Balance at September 30, 1998	48,959	332,662	—	2,350,781	(24,463)	4,903	(84,818,944)	(1,015,806)
Net income				275,719				
Cash dividends:								
Common ($.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)**

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

In 1998, the Board of Directors authorized a two-for-one stock split. Par value remained at $1.00 per common share, and the number of authorized common shares increased from 320,000,000 to 640,000,000 shares. The stock split was recorded by reclassifying $166,331, the par value of the additional shares resulting from the split, from Capital in excess of par value and Retained earnings to Common stock.

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.

13
Comprehensive Income

The components of Accumulated other comprehensive loss are as follows:

	2000	1999
Cumulative currency translation adjustments	**$(341,068)**	$(179,764)
Unrealized losses on investments	**(321)**	(2,879)
	$(341,389)	$(182,643)

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 taxes related to Other Comprehensive (Loss) Income were not significant in any year presented, as income taxes were generally not provided for translation adjustments.

The unrealized gains (losses) 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.

14
Commitments and Contingencies

Commitments

Rental expense for all operating leases amounted to $49,200 in 2000, $46,000 in 1999, and $44,800 in 1998. Future minimum rental commitments on noncancelable leases are as follows: 2001–$31,500; 2002–$25,800; 2003–$18,700; 2004–$15,000; 2005–$12,100 and an aggregate of $39,100 thereafter.

As of September 30, 2000, the Company has certain future capital commitments aggregating approximately $142,500, 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 390 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 eleven product liability lawsuits relating to healthcare workers who allegedly sustained accidental needlesticks, but have not become infected with any disease. The case brought in California under the caption *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. The case brought in Florida under the caption *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. Cases have been filed on behalf of an unspecified number of healthcare workers in nine other states, seeking class action certification under the laws of these states. To date, no class has been certified in any of these cases. The nine remaining actions are pending in state court in Texas, under the caption *Usrey vs. Becton Dickinson et al*. (Case No. 342-173329-98, Tarrant County District Court), filed on April 9, 1998; in Federal court in Ohio, under the caption *Grant vs. Becton Dickinson et al*. (Case No. C2 98-844, Southern District of Ohio), 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 Pennsylvania, under the caption *Brown vs. Becton Dickinson et al*. (Case No. 03474, Philadelphia County Court of Common Pleas), filed on November 27, 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; and 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. Generally, these remaining actions allege that healthcare 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 healthcare workers have sustained mental anguish. Plaintiffs seek money damages in all remaining actions.

In June 1999, a class certification hearing was held in the matter of *Usrey vs. Becton Dickinson et al*., which first was filed in Texas state court on April 9, 1998 under the caption *Calvin vs. Becton Dickinson et al*. The Court has advised the parties by letter received on October 27, 1999, that it believes it is appropriate to address the issues in the case by way of a class action under Texas procedural law. The Company has filed an interlocutory appeal from that ruling. This appeal is currently pending.

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 needlestick class action and latex matters.

The Company, along with another manufacturer, a group purchasing organization ("GPO") and three hospitals, has been named as a defendant in an antitrust action brought pursuant to the Texas Free Enterprise Act ("TFEA"). The action is pending in state court in Texas, under the caption *Retractable Technologies Inc. vs. Becton Dickinson and Company et al*. (Case No. 5333*JG98, Brazoria County District Court), filed on August 4, 1998. Plaintiff, a manufacturer of retractable syringes, alleges that our contracts with GPOs exclude plaintiff from the market in syringes and blood collection products, in violation of the TFEA. Plaintiff also alleges that the Company has conspired with other manufacturers to maintain its market share in these products. Plaintiff seeks money damages. This action is in preliminary stages. The Company intends to mount a vigorous defense in this action.

The Company, along with another patent holder, has filed an action for patent infringement under the caption *Becton Dickinson and Company et al. vs. B. Braun Medical, Inc*. (Case No. 2:99-CV-00987J, United States District Court for the District of Utah), on December 15, 1999. The defendant has filed a counterclaim against us, and alleges, among other things, that its contacts with group purchasing organizations exclude defendant from the market in IV catheters, in violation of the Sherman, Clayton, and Lanham Acts. Defendant also alleges that the Company has conspired with other manufacturers to maintain its market share in these products. Defendant seeks money damages. The pending action is in preliminary stages. The Company intends to prosecute its claim, and vigorously defend against this counterclaim.

In the patent infringement litigation under the caption *Critikon, Inc. vs. Becton Dickinson Vascular Access, Inc*. (Civ. 93-108 (JJF), United States District Court for the District of Delaware) the Court, on May 19, 2000, entered judgment in favor of the plaintiff in the aggregate amount of $5,700, excluding any potential interest charges. The Company has filed pending postjudgment motions seeking recalculation of damages on the basis of perceived error in the calculation of damages, in both amount and duration. The Company will continue to vigorously defend this lawsuit. The Company has established reserves to cover liabilities, if any, in this matter, based upon its best estimate within the range of possible losses.

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

While it is not possible to predict or determine the outcome of the patent, product liability, antitrust or other legal actions brought against the Company, upon resolution of such matters, the Company may incur charges in excess of presently established reserves. While such future charges, individually and 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 Company's opinion, the results of the above matters, individually and in the aggregate, are not expected to have a material adverse effect on the Company's consolidated financial condition.

The Company believes that its operations comply in all material respects with applicable laws and regulations. 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. Upon resolution of these proceedings, the Company may incur charges in excess of presently established accruals. While such future costs 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 Company's opinion, the results of the above matters are not expected to have a material adverse effect on its consolidated financial condition.

15 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, 2000, shares available for future grant under the 1995 and 1998 Plans were 1,166,458 and 9,418,000, respectively. The Non-Employee Directors 2000 Stock Option Plan made available 1,000,000 common shares for the granting of options, of which 970,660 remained available for future grant as of September 30, 2000. All stock plan data has been retroactively restated to reflect the two-for-one stock splits in 1998, 1996 and 1993, where applicable.

A summary of changes in outstanding options is as follows:

	2000		1999		1998	
	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	**30,122,274**	**$20.33**	29,904,859	$18.22	30,168,526	$15.20
Granted	**3,727,955**	**27.94**	3,170,821 [A]	34.83	4,843,750	29.64
Exercised	**(2,287,523)**	**15.09**	(2,281,727)	11.37	(4,593,739)	9.92
Forfeited, canceled or expired	**(1,046,391)**	**30.80**	(671,679)	25.29	(513,678)	23.05
Balance at September 30	**30,516,315**	**$21.29**	30,122,274	$20.33	29,904,859	$ 18.22
Exercisable at September 30	**26,641,132**	**$20.23**	26,426,344	$18.37	23,266,773	$ 15.90
Weighted average fair value of options granted	**$ 11.53**		$ 12.77		$ 9.40	
Available for grant at September 30	**11,555,118**		13,462,158		15,961,300	

The maximum term of options is ten years. Options outstanding as of September 30, 2000 expire on various dates from May 2001 through September 2010.

(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, 2000				
	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
$ 7.89 – $12.55	9,841,198	$10.32	3.2 Years	9,841,198	$10.32
17.36 – 25.63	10,387,139	22.53	6.0 Years	10,312,755	22.51
27.25 – 41.56	10,287,978	30.54	8.3 Years	6,487,179	31.64
	30,516,315	$21.29	6.6 Years	26,641,132	$20.23

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 Stock Option Plan, which expired in May 2000, had a provision whereby unqualified options could be granted at, below, or above market value of the Company's stock. If the option price was less than the market value of the Company's stock on the date of grant, the discount would be 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 2000, 1999 or 1998.

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 2000, 1999 and 1998 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.

	2000		1999		1998	
	As Reported	**Pro Forma**	As Reported	Pro Forma	As Reported	Pro Forma
Net Income	**$392,897**	**$361,639**	$275,719	$247,224	$236,568	$216,680
Earnings Per Share:						
Basic	**1.54**	**1.42**	1.09	.98	.95	.87
Diluted	**1.49**	**1.38**	1.04	.93	.90	.82

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 2000, 1999 and 1998: risk free interest rates of 6.64%, 4.79% and 5.55%, respectively; expected dividend yields of 1.09%, 1.09% and 1.28%, respectively; expected volatility of 35.4%, 31.0% and 24.4%, respectively; 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 2000, 76,798 shares were distributed. No awards were granted in 2000, 1999 or 1998. At September 30, 2000, 2,456,018 shares were reserved for future issuance, of which awards for 354,630 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 2000, 1999 or 1998.

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, 2000, 144,054 shares were held in trust, of which 16,042 shares represented directors' compensation in 2000, 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.

16 Earnings Per Share

For the years ended September 30, 2000, 1999 and 1998, the following table sets forth the computations of basic and diluted earnings per share (shares in thousands):

	2000	1999	1998
Net income	**$392,897**	$275,719	$236,568
Preferred stock dividends	**(2,916)**	(3,114)	(3,235)
Income available to common shareholders[A]	**389,981**	272,605	233,333
Preferred stock dividends–using "if converted" method	**2,916**	3,114	3,235
Additional ESOP contribution–using "if converted" method	**(689)**	(821)	(1,000)
Income available to common shareholders after assumed conversions[B]	**$392,208**	$274,898	$235,568
Average common shares outstanding[C]	**252,454**	249,595	245,700
Dilutive stock equivalents from stock plans	**6,059**	9,917	11,117
Shares issuable upon conversion of preferred stock	**4,726**	5,068	5,311
Average common and common equivalent shares outstanding–assuming dilution[D]	**263,239**	264,580	262,128
Basic earnings per share[A/C]	**$ 1.54**	$ 1.09	$ .95
Diluted earnings per share[B/D]	**$ 1.49**	$ 1.04	$ .90

17
Segment Data

The Company's organizational structure is based upon its three principal business segments: BD Medical Systems ("Medical"), BD Biosciences ("Biosciences"), and BD Preanalytical Solutions ("Preanalytical"). The Company's segments are managed separately because each requires different technology and marketing strategies.

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 clinical and industrial microbiology products, flow cytometry systems for cellular analysis, tissue culture labware, hematology instruments and other diagnostic systems, including immunodiagnostic test kits. The major products in the Preanalytical segment are sample collection products and specimen management systems. This segment also includes consulting services and customized, automated bar-code systems.

In June 2000, the Company initiated a plan to change the structure of its internal organization in a manner that, beginning October 1, 2000, will cause the composition of the reportable segments to change. During the first quarter of fiscal 2001, execution of the planned changes will be finalized so that for the quarter ending December 31, 2000, decisions about resource allocation and performance assessment will be made separately for the reorganized Medical segment, the new Clinical Laboratory Solutions segment and the reorganized Biosciences segment. As of December 31, 2000, financial reporting for these three segments will be presented and the corresponding information for earlier periods will be restated to reflect the new segment reporting structure.

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.

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 10% of revenues in 2000, 11% in 1999 and 11% in 1998, and included products from each of the Company's segments. No other customer accounted for 10% or more of revenues in each of the three years presented.

Revenues	**2000**	1999	1998
Medical Systems	**$1,966,039**	$1,923,865	$1,714,952
Biosciences	**1,117,529**	985,821	924,157
Preanalytical Solutions	**534,766**	508,726	477,764
Total[A]	**$3,618,334**	$3,418,412	$3,116,873
Segment Operating Income			
Medical Systems	**$ 370,829**[B]	$ 343,433[B]	$ 320,184[B]
Biosciences	**128,008**[C]	76,278[C]	77,046[C]
Preanalytical Solutions	**123,461**[D]	123,890[D]	116,019[D]
Total Segment Operating Income	**622,298**	543,601	513,249
Unallocated Expenses[E]	**(102,364)**	(170,946)	(172,383)
Income Before Income Taxes	**$ 519,934**	$ 372,655	$ 340,866
Segment Assets			
Medical Systems	**$2,289,304**	$2,258,779	$2,092,828
Biosciences	**1,415,535**	1,455,744	1,085,980
Preanalytical Solutions	**454,690**	431,271	388,521
Total Segment Assets	**4,159,529**	4,145,794	3,567,329
Corporate and All Other[F]	**345,567**	291,164	278,709
Total Assets	**$4,505,096**	$4,436,958	$3,846,038
Capital Expenditures			
Medical Systems	**$ 246,928**	$ 187,868	$ 105,417
Biosciences	**53,371**	41,704	37,797
Preanalytical Solutions	**46,780**	53,822	28,073
Corporate and All Other	**29,293**	28,153	10,129
Total	**$ 376,372**	$ 311,547	$ 181,416
Depreciation and Amortization			
Medical Systems	**$ 133,787**	$ 122,804	$ 104,684
Biosciences	**113,866**	97,764	87,018
Preanalytical Solutions	**30,781**	30,013	26,370
Corporate and All Other	**9,821**	8,282	10,677
Total	**$ 288,255**	$ 258,863	$ 228,749

(A) Intersegment revenues are not material.

(B) Includes $39,844 in 2000, $60,933 in 1999 and $43,181 in 1998 for special charges discussed in Note 5, as well as a charge of $30,000 in 1998 for purchased in-process research and development discussed in Note 2.

(C) Includes $9,314 in 2000, $4,962 in 1999 and $43,314 in 1998 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 2.

(D) Includes $2,959 in 2000, $4,429 in 1999 and $2,238 in 1998 for special charges discussed in Note 5.

(E) Includes interest, net, foreign exchange and corporate expenses. Also includes special charges of $5,397, $5,229 and $2,212 in 2000, 1999 and 1998, respectively, as discussed in Note 5.

(F) Includes cash and 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.

Revenues	**2000**	1999	1998
United States	**$1,863,555**	$ 1,747,785	$1,690,282
International	**1,754,779**	1,670,627	1,426,591
Total	**$3,618,334**	$ 3,418,412	$3,116,873
Long-Lived Assets			
United States	**$ 866,125**	$ 758,929	$ 683,658
International	**578,741**	550,588	480,252
Corporate	**131,192**	121,632	138,740
Total	**$1,576,058**	$ 1,431,149	$1,302,650

Quarterly Data (Unaudited)

Thousands of dollars, except per-share amounts

			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[A]**
Earnings Per Share:					
Basic	**.30**	**.47**	**.45**	**.33**	**1.54**
Diluted	**.29**	**.45**	**.43**	**.32**	**1.49**

			1999		
	1st	2nd	3rd	4th	Year
Revenues	$768,966	$873,964	$873,002	$902,480	$3,418,412
Gross Profit	383,256	444,704	411,679	467,107	1,706,746
Net Income	76,158	90,114	33,124	76,323	275,719[B]
Earnings Per Share:					
Basic	.30	.36	.13	.30	1.09
Diluted	.29	.34	.12	.29	1.04

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

(B) Includes $75,553 of special charges in the third quarter and $48,800 for purchased in-process research and development charges.

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, 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 School of Hygiene and 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

Gilberto D. Bulcao
President–North and South Latin America

James R. Brown
Vice President–Quality Management

Gary M. Cohen
President–BD Medical Systems

John R. Considine
Executive Vice President and Chief Financial Officer

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

James V. Jerbasi
Vice President-Human Resources

William A. Kozy
Senior Vice President–Company Operations

Stephen J. Mock
Vice President–Investor and Public Relations

Deborah J. Neff
President–BD Biosciences

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.
Tuesday, February 13, 2001
Woodcliff Lake Hilton
200 Tice Boulevard
Woodcliff Lake, NJ 07675

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

NYSE Symbol
BDX

Transfer Agent and Registrar
First Chicago Trust Company
P.O. Box 2500
Jersey City, NJ 07303-2500
Phone: 1-800-519-3111
E-mail: fctc@em.fcnbd.com
Internet: http://www.fctc.com

Shareholder Information
Shareholders may receive, without charge, a copy of the Company's 2000 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

Common Stock Prices and Dividends

By Quarter	2000			1999		
	High	**Low**	**Dividends**	High	Low	Dividends
First	**$30 5/16**	**$22 3/8**	**$.09 1/4**	$49 5/8	$36 15/16	$.08 1/2
Second	**34 7/16**	**24**	**.09 1/4**	44 3/16	31 1/2	.08 1/2
Third	**30**	**24 15/16**	**.09 1/4**	42	29	.08 1/2
Fourth	**30 15/16**	**21 3/4**	**.09 1/4**	30 1/16	25 1/8	.08 1/2

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