

To our shareholders: At BD, our purpose – “*Helping all people live healthy lives*” – serves as the basis for all that we do, and it motivates our 28,000 associates around the world who know that they are making a real difference in improving healthcare, changing medical practice and saving lives. We are doing this while delivering excellent value to our shareholders.

Fiscal 2007 was another successful year for BD. I am pleased to report that we exceeded our financial and operational performance expectations, and showed solid improvement over 2006. Our strong revenue and earnings growth and our positive outlook for fiscal 2008 give us continuing confidence that our strategy is sound. Our implementation is both disciplined and effective. Fiscal 2007 marks the end of the eighth year of leadership for our current executive team – a time during which BD’s revenue and profit base has more than doubled.

We will continue to implement our strategy of increasing sustainable revenue growth through innovation, complemented by driving operating effectiveness and productivity to accelerate our progress. This strategy rewards both customers and shareholders. Our revenue and profit growth will enable us to advance toward our vision of becoming a “great company” – one that achieves great performance for customers and shareholders, makes great contributions to society and is a great place to work.

BD is a complex institution, comprised of three major segments with over a dozen units in about 50 countries. However, a much smaller number of focused strategies target specific opportunities to improve human healthcare. Over our 110-year history, BD has been most successful when we identify underappreciated or emerging healthcare needs, apply technology to solve the problems, use our manufacturing expertise to make high-quality products available and affordable to people around the world, and surround the products with outstanding service and support. This was the case when BD developed the first syringe designed for insulin injection in 1924, pioneered the development of safety-engineered devices designed to protect healthcare workers, and more recently, when we identified addressing healthcare-associated infections as a core focus area for BD’s future growth.

In this letter, I will provide an update on strategic developments, financial performance, social responsibility initiatives, organizational progress, and management and Board developments.



Edward J. Ludwig
Chairman, President and Chief Executive Officer

Great contributions through strategic acquisitions

This year, BD successfully integrated GeneOhm, which was acquired in 2006. The BD GeneOhm platform positions BD to play a leadership role in the prevention of healthcare-associated infections and to lead the evolution from “growth-based” to “molecular-driven” microbiology.

We also completed the TriPath acquisition, expanding our position in cancer diagnostics. Our strategy is to improve the clinical management of cancer through innovative biomarker solutions. We believe TriPath positions BD to have significant impact in the marketplace and to advance cancer treatments through more accurate and earlier detection.

I invite you to read more about our progress in both of these areas in the feature pages that follow.

Great financial and operational performance

Our financial results confirm that our strategy is working. Company revenues of \$6.36 billion represent an increase of 11 percent (reflecting an overall estimated 3 percent favorable impact from foreign currency translation that affected all segments). Our gross profit margin increased 40 basis points to 51.7 percent.

Gross margin improvements resulted from our favorable product mix (higher-value products) and our ongoing efforts to drive productivity. Tools associated with continuous improvement—among them Six Sigma, Lean and Validation—are being used Company-wide. The gross margin improvements in fiscal 2007 more than offset manufacturing start-up costs. Our focus on achieving higher levels of operational effectiveness has resulted in improved quality, global affordability of our products and excellent service levels for our customers.

Adjusted operating income increased approximately 13 percent from 2006. Adjusted operating margin as a percentage of sales improved from 20.5 percent to 20.8 percent, reflecting improved gross profit margin and SSG&A leverage.*

BD is committed to a very strong return of cash to our shareholders. This year, we generated over \$1.2 billion in operating cash flow. We returned over 56 percent (or \$690 million) of our operating cash flow to shareholders. We repurchased nearly 6 million common shares for \$450 million and paid dividends of \$240 million. On November 20, 2007, our Board of Directors voted to increase the annual dividend by 16.3 percent to \$1.14. This marks the 35th consecutive year of dividend increases for the Company. Our balance sheet remains strong and liquid, enabling future strategic investments. BD's three-year average return on invested capital increased to 30.8 percent in 2007 from 29.0 percent in 2006.

BD Medical revenues rose by 10 percent over 2006 to \$3.42 billion. Strong sales in Pharmaceutical Systems significantly led revenue growth. Sales of safety-engineered products grew 30 percent internationally and 6 percent in the United States.

BD Diagnostics revenues rose by 11 percent over 2006 to \$1.9 billion. This growth includes \$88 million of revenues from TriPath, which was acquired at the end of the first quarter of fiscal 2007. Sales of safety-engineered products rose by 25 percent internationally and 9 percent in the United States, due in large part to *BD Vacutainer* Push Button Blood Collection Set conversion activity.

BD Biosciences revenues rose by 13 percent over 2006 to \$1.03 billion. Continued strong sales of flow cytometry and bioimaging instruments, flow cytometry reagents and bionutrients from our Advanced Bioprocessing platform contributed to growth.

Growth through innovation

BD is innovating for impact. Because continual innovation requires ongoing investments, we are investing for the future primarily through increasing the pace of R&D spending and, as appropriate, through strategic investments, such as GeneOhm and TriPath. In 2007, R&D spending increased by a rate of 19 percent (7 percent from TriPath), as revenue growth and margin expansion enabled us to invest in new growth initiatives. We also made good progress implementing our product development system, an integral element of BD's innovation culture.

Corporate social responsibility

Around the world, BD and our associates are making a difference in human health, saving and improving lives of people in all corners of the globe through our charitable initiatives and partnerships. In 2007, we strengthened our product donation program by providing product in advance of disasters, better enabling our partners to respond quickly, as during airlifts to aid the victims of the Peru earthquake. Additionally, BD launched support for Heart to Heart International's Ready Relief™ Box program, which provides international medical teams with essential medicines, instruments and supplies that treat 1,000 patients per box.

BD also announced two actions to help address HIV/AIDS and tuberculosis (TB), health pandemics causing high mortality in developing countries. In a major commitment to strengthen laboratory practices in African countries severely affected by HIV/AIDS and TB, we entered into an agreement with the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), which is the largest international public health initiative directed at a single disease that any nation has ever undertaken. We also

*See reconciliations on page 64.

expanded our relationship with the Foundation for Innovative New Diagnostics (FIND) to include a new charitable component. Through cash and product donations, BD is supporting FIND's TB program to help strengthen laboratory services in developing countries, critical in combating the rapid increase in multi-drug-resistant TB.

The special insert following this letter, "Bringing our corporate purpose to life," highlights several unique programs and activities around the world that demonstrate BD's commitment to volunteerism, community, safety and the environment.

BD's standing in the corporate community, and in the medical technology industry, continues to be enhanced. In 2007, BD was again selected as a component of the Dow Jones Sustainability World Index, widely considered to be the premier socially responsible investing index, placing us in the top 10 percent of healthcare sector companies assessed in terms of sustainability leadership. BD was also again named one of "America's Most Admired Companies®" by *FORTUNE* magazine, ranking first in our industry in social responsibility, quality of management, financial soundness and quality of products and services.

Additionally, *Ethisphere Magazine* named BD to its inaugural list of the "World's Most Ethical Companies." We are proud of this recognition, but we are mindful that we must continue to keep and earn this honor every day. Ethical and compliant behavior is part of everyone's job at BD. To foster an environment encouraging that behavior, senior management is actively involved in setting the appropriate tone at the top and ensuring that the tone resonates throughout the organization. BD's Core Values, including "We do what is

right," are embedded in our culture, and our global training program, which reaches every associate, drives ethics and compliance throughout the Company.

Great place to work

Our corporate learning initiative, BD University (BDU), is strengthening our organizational and individual capabilities. We have integrated BDU with other key levers for leadership development, including talent acquisition and HR planning, to create a robust engine for the identification and development of current and future leaders. In 2007, ASTD, the world's largest professional society focusing on workplace learning and performance, recognized BD with a "BEST" Award and ranked BD in the top five submissions from over 100 companies from eight countries.

Our diversity and inclusion initiative remains a global business imperative. We are committed to fostering a culture that values and respects each individual, offering diversity awareness workshops worldwide and integrating related concepts and principles into our human resource systems. BD associates at all levels are working toward a culture that fully embraces and embodies diversity and inclusion.

A growing number of retirement-eligible associates, decreasing birthrates and increasing job growth are driving heightened competition for talent worldwide. To effectively compete, BD must implement worldwide and regional talent sourcing, development, engagement and retention strategies in new ways. Leadership involvement in these important talent management practices will elevate our organizational performance.

Office of the Chief Executive Officer

Left to right: William A. Kozy, Executive Vice President; A. John Hanson, Executive Vice President; Edward J. Ludwig, Chairman, President and Chief Executive Officer; John R. Considine, Senior Executive Vice President and Chief Financial Officer; Vincent A. Forlenza, Executive Vice President; and Gary M. Cohen, Executive Vice President.



Key management developments

It is my pleasure this year to welcome Scott P. Bruder, M.D., Ph.D., as Senior Vice President and Chief Technology Officer. Dr. Bruder, who joined us from Johnson & Johnson, is responsible for providing R&D, strategy and development leadership as BD focuses on advancing innovation in medical devices, diagnostics and biosciences. He brings a wealth of scientific and industry experience that will help us chart BD's course for the future.

Key Board developments

We are fortunate to have a broadly talented, dynamic and committed Board of Directors to complement our strong executive team. This year, we added two prominent individuals to the Board. Marshall O. Larsen, Chairman, President and Chief Executive Officer of Goodrich Corporation, is a well-regarded and distinguished business leader with a proven 30-year track record from a large, world-class manufacturing company. Cathy E. Minehan, retired President and Chief Executive Officer of the Federal Reserve Bank of Boston, offers the Board expertise in financial and economic policymaking gained during her notable career as one of the nation's central bankers.

We would also like to express our deep appreciation to James E. Perrella for his many contributions to our success

during his 12 years of service to the Board. Mr. Perrella will retire from the Board after our Annual Meeting of Shareholders in January 2008. He brought the highly valued perspective and insights of a chief executive officer of a large, public industrial company. We thank him for his efforts and wish him the very best for the future.

Closing reflections

Our solid performance in 2007 provides us with a strong base upon which to grow even further in the future. We will pursue our strategic course and drive innovation by designing and introducing products that have real value for healthcare workers, patients and researchers. We are developing strong leaders who will have the necessary skills and capabilities to ensure our future success. We thank you, our shareholders, for your ongoing confidence and support, and we thank our customers, partners and dedicated associates for their collective efforts toward *"Helping all people live healthy lives."*



Edward J. Ludwig
Chairman, President and Chief Executive Officer

Development Committee

Left to right: Scott P. Bruder, M.D., Ph.D., Senior Vice President and Chief Technology Officer; David T. Durack, M.D., Senior Vice President, Corporate Medical Affairs; John R. Considine, Senior Executive Vice President and Chief Financial Officer; Donna M. Boles, Senior Vice President, Human Resources; William A. Kozy, Executive Vice President; Edward J. Ludwig, Chairman, President and Chief Executive Officer; Vincent A. Forlenza, Executive Vice President; Gary M. Cohen, Executive Vice President; Patricia B. Shrader, Senior Vice President, Corporate Regulatory and External Affairs; Jeffrey S. Sherman, Senior Vice President and General Counsel; and A. John Hanson, Executive Vice President.

