Notes to Consolidated Financial Statements

Thousands of dollars, except per share amounts and numbers of shares

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 (the "Company") after the elimination of intercompany transactions. The Company has no material interests in variable interest entities and none that require consolidation.

Cash Equivalents

Cash equivalents consist of all highly liquid investments with a maturity of three months or less when purchased.

Short-Term Investments

Short-term investments consist of certificates of deposit and repurchase agreements of government securities with maturities of less than one year when purchased.

Inventories

Inventories are stated at the lower of first-in, first-out cost or market.

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 two to 17 years for leasehold improvements. Depreciation and amortization expense was $280,357, $262,956 and $242,063 in fiscal 2007, 2006 and 2005, respectively.

Goodwill and Other Intangible Assets

Goodwill is reviewed annually for impairment in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets". In reviewing goodwill for impairment, potential impairment is identified by comparing the fair value of a reporting unit, estimated using an income approach, with its carrying value. Core and developed technology is amortized over periods ranging from 15 to 20 years, using the straight-line method. Both goodwill and core and developed technology arise from acquisitions.

Other intangibles with finite useful lives, which include patents, are amortized over periods principally ranging from two to 40 years, using the straight-line method. These intangibles, including core and developed technology, are periodically reviewed when impairment indicators are present to assess recoverability from future operations using undiscounted cash flows in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". To the extent carrying value exceeds the undiscounted cash flows, an impairment loss is recognized in operating results based upon the excess of the carrying value over fair value. Other intangibles also include certain trademarks that are considered to have indefinite lives, as they are expected to generate cash flows indefinitely, and are reviewed annually for impairment.

Capitalized Software

Capitalized software, including costs for software developed or obtained for internal use is stated at cost, less accumulated amortization. Amortization expense is principally provided on the straight-line basis over estimated useful lives, which do not exceed 10 years. Amortization expense was $66,386, $66,037 and $71,416 for 2007, 2006 and 2005, respectively.

Foreign Currency Translation

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 foreign currency translation adjustments in Accumulated other comprehensive income (loss).

Revenue Recognition

Revenue from product sales is recognized when title and risk of loss pass to the customer. For the sale of certain instruments in the Biosciences segment, revenue is recognized upon completion of installation at the customer's site. Based upon the terms of other sales arrangements, the Biosciences segment recognizes revenue in accordance with Emerging Issues Task Force No. 00-21, "Revenue Arrangements with Multiple Deliverables". These sales arrangements have multiple deliverables and, as such, are divided into separate units of accounting. Revenue and cost of products sold are recognized at the completion of each deliverable based on the relative fair values of items delivered.

The Company's domestic businesses sell products primarily to distributors who resell the products to end-user customers. Rebates are provided to distributors that sell to end-user customers at prices determined under a contract between the Company and the end-user customer. Provisions for rebates, as well as sales discounts and returns, are accounted for as a reduction of revenues when revenue is recognized.

Shipping and Handling Costs

Shipping and handling costs are included in Selling and administrative expense. Shipping expense was $243,263, $219,788 and $216,239 in 2007, 2006 and 2005, respectively.

Derivative Financial Instruments

In accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, all derivatives are recorded in the balance sheet at fair value and changes in fair value are recognized currently in earnings unless specific hedge accounting criteria are met.

Derivative financial instruments are utilized by the Company in the management of its foreign currency and interest rate exposures. The Company hedges its foreign currency exposures by entering into offsetting forward exchange contracts and currency options when it deems appropriate. The Company utilizes interest rate swaps and forward rate agreements to manage its exposure to fluctuating interest rates. The Company does not use derivative financial instruments for trading or speculative purposes.

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

Income Taxes

United States income taxes are not provided on undistributed earnings of foreign subsidiaries where such undistributed earnings are indefinitely reinvested outside the United States. Deferred taxes are provided for earnings of foreign subsidiaries when those earnings are not considered indefinitely reinvested. Income taxes are provided and tax credits are recognized based on tax laws enacted at the dates of the financial statements.

The Company maintains valuation allowances where it is more likely than not that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances are included in our tax provision in the period of change. In determining whether a valuation allowance is warranted, management evaluates factors such as prior earnings history, expected future earnings, carryback and carryforward periods and tax strategies that could potentially enhance the likelihood of the realization of a deferred tax asset.

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 U.S. 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 consolidated financial statements. Actual results could differ from these estimates.

Share-Based Compensation

The Company accounts for all share-based compensation under SFAS No. 123 (revised 2004)–"Share-Based Payment" ("SFAS No. 123(R)"). This statement requires the recognition of the fair value of share-based compensation in net income. Compensation expense is recognized on a straight-line basis over the requisite service period, which is generally the vesting period.

2 Accounting Changes

In September 2006, the Financial Accounting Standards Board (the "FASB") issued SFAS No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)" ("SFAS No. 158"). SFAS No. 158 requires the Company to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its Consolidated Balance Sheet and to recognize changes in the funded status in the year in which the changes occur through comprehensive income. SFAS No. 158 also requires the funded status of a plan to be measured as of the balance sheet date and provides for additional disclosure requirements. The Company adopted SFAS No. 158 on September 30, 2007. SFAS No. 158 will not change the measurement date of the Company's plans as the plans are measured at its fiscal year-end. See Note 5 regarding the Company's adoption of SFAS No. 158.

In March 2005, the FASB issued Interpretation No. 47 "Accounting for Conditional Asset Retirement Obligations" ("FIN 47"). FIN 47 clarifies that the term "conditional asset retirement obligation" as used in SFAS No. 143, "Accounting for Asset Retirement Obligations" refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Company. Accordingly, the Company is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value can be reasonably estimated. The Company adopted this interpretation in the fourth quarter of 2006. The adoption of FIN 47 did not have a material impact on BD's consolidated financial statements.

Adoption of New Accounting Standard

In July 2006, the FASB issued Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 prescribes guidance for recognition, measurement, and disclosure of uncertain tax positions recognized in financial statements in accordance with SFAS No. 109 "Accounting for Income Taxes". This interpretation will be applied to all tax positions upon its initial adoption. The Company adopted this interpretation on October 1, 2007 and the cumulative effect of applying this interpretation will be reported as an adjustment to the opening balance of retained earnings for such fiscal year. Although the Company is still evaluating the potential impact of FIN 48, the decrease to opening retained earnings as of October 1, 2007, with a corresponding increase to the appropriate tax liability accounts, is not expected to exceed $15 million.

3 Acquisitions and Divestitures

TriPath

On December 20, 2006, the Company acquired the outstanding shares (approximately 93.8%) of TriPath Imaging, Inc. ("TriPath") which it did not previously own. TriPath develops, manufactures, markets and sells innovative solutions to improve the clinical management of cancer, including detection, diagnosis, staging and treatment. The acquisition advances the Company's position in cancer diagnostics. The acquisition was accounted for under the purchase method of accounting and the results of operations of TriPath were included in the Company's results as of the acquisition date. Pro forma information was not provided as the acquisition did not have a material effect on the Company's consolidated results. The purchase price was $361,883 in cash, including transaction costs and other consideration. The purchase price was allocated based upon the fair values of the assets and liabilities acquired. The allocation of the purchase price resulted in deferred tax assets of $74,221 primarily consisting of net operating loss carry-forwards and credits; core and developed technology of $135,097; deferred tax liabilities of $52,662 primarily associated with other intangible assets; and other net assets of $59,024 consisting primarily of cash and trade receivables. Core and developed technology will be amortized on a straight-line basis over its estimated useful life of

approximately 15 years. The excess of the purchase price over the fair value of the assets acquired of $31,464 was recorded as goodwill. The primary items that generated goodwill are the value of expanded product opportunities in oncology that are aligned with and complement ongoing research programs at the Company. The goodwill was allocated to the Diagnostics segment and is not deductible for tax purposes. As a result of settling a preacquisition legal contingency in the fourth quarter, the Company recorded an increase to other net assets and a decrease to goodwill of $7,167, which was reflected in the above allocation of the purchase price.

In connection with the acquisition, the Company also incurred a non-deductible charge of $114,739 for acquired in-process research and development. This charge, based on fair value, is associated with three projects: molecular Pap test, breast staging, and ovarian cancer detection. These projects had not yet reached technological feasibility and did not have alternative future use at the acquisition date. The portion of the charge allocated to each of these projects was $75,992, $18,764 and $19,983, respectively.

The molecular Pap test uses proprietary molecular biomarkers and reagents that are intended to allow for the primary screening of cervical cancer. The diagnostic assay is being developed to test slides prepared using TriPath's SurePath® liquid-based Pap test and to permit concurrent evaluation of morphologic features and measurement of the over-expression of molecular biomarkers that are associated with biopsy-proven moderate to severe cervical disease and cancer. Clinical trials have been initiated for this project.

The breast staging project uses proprietary molecular biomarkers and reagents that are intended to predict the risk of disease recurrence and to aid in treatment selection in patients with early stage breast cancer. The diagnostic assay is being developed for use with commercially available detection kits and staining platforms and will utilize TriPath's interactive histology imaging system to quantify biomarker over-expression in tissue samples collected at the time of initial diagnosis of breast cancer. Clinical trials have been initiated for this project.

The ovarian cancer detection project is intended to allow for serum-based screening and monitoring assays for ovarian cancer based upon the detection of multiple biomarkers using a proprietary panel of biomarkers and assay algorithms. In addition, multiplex testing platforms are being evaluated to allow for the simultaneous testing of multiple markers from a small volume of serum. The detection assays being developed will utilize certain technologies from the Biosciences segment. Clinical trials have not been initiated for this project.

The fair values of these projects were determined based upon the present value of projected cash flows utilizing an income approach reflecting the appropriate risk-adjusted discount rate based on the applicable technological and commercial risk of each project. These cash flows also took into account the income and expenses associated with the further development and commercialization of the underlying products. The range of discount rates assigned to the projects was 22 to 30 percent and gave consideration to the underlying risk relative to the developed technology, the overall commercial and technical risk, and the probabilities of success for each of the projects. The ongoing activity associated with each of these projects is not expected to be material to the Company's research and development expense.

Other

On May 4, 2007, the Company acquired all of the outstanding shares of Plasso Technology, Ltd. ("Plasso"), a privately-held company that is developing the next generation of surface-critical research tools utilizing functional coating technology for applications in glycomics and cell culture, for $10,425 in cash including transaction costs. In connection with the acquisition, the Company incurred a non-deductible charge of $7,394 for acquired in-process research and development associated with Plasso's technology, for which, at the acquisition date, technological feasibility had not been established and no alternative future use existed. Because Plasso was a development stage company that had not commenced its planned principal operations, the transaction was accounted for as an acquisition of assets rather than as a business combination and, therefore, goodwill was not recorded.

GeneOhm

On February 14, 2006, the Company acquired all the outstanding stock of GeneOhm Sciences, Inc. ("GeneOhm"), a company that develops molecular diagnostic testing for the rapid detection of bacterial organisms, including those known to cause healthcare-associated infections. The acquisition provides the Company with expanded entry into the emerging field of healthcare-associated infections. The acquisition was accounted for under the purchase method of accounting and the results of operations of GeneOhm were included in the Company's results as of the acquisition date. Pro forma information was not provided as the acquisition did not have a material effect on the Company's consolidated results. The purchase price consisted of an up-front cash payment of $232,542, including transaction costs, and the purchase contract provides for additional contingent payments of up to $25,000, based on future events occurring on or before December 31, 2007. The purchase price was allocated based upon the fair values of the assets and liabilities acquired. The allocation of the purchase price resulted in deferred tax assets of $34,346 consisting of net operating loss carryforwards and credits; other intangible assets, primarily core and developed technology, of $92,300; deferred tax liabilities of $31,400 associated with other intangible assets, and other net assets of $3,587. Core and developed technology will be amortized on a straight-line basis over its estimated useful life of approximately 15 years. The excess of the purchase price over the fair value of the assets acquired of $80,409 was recorded as goodwill. The primary items that generated goodwill are the value of synergies in microbiology research and the expansion of product offerings in molecular diagnostics. The goodwill was allocated to the Diagnostics segment and is not deductible for tax purposes. In connection with the acquisition, the Company also incurred a non-deductible charge of $53,300 for acquired in-process research and development. This charge, based on fair value, is associated with several products that have not reached technological feasibility and do not have alternative future use at the acquisition date. The fair value of each product was determined based upon the present value of projected cash flows utilizing an income approach reflecting the appropriate risk-adjusted discount rate based on the applicable technological and commercial risk of each product. These cash flows took into account the income and expenses associated with the further development and commercialization of the underlying products. The ongoing activity associated with each of these products is not material to the Company's research and development expense.

BGM

On September 28, 2006, the Company announced a plan to exit the blood glucose monitoring ("BGM") market. In accordance with the plan, distribution of the *BD Logic* Blood Glucose Monitor was immediately discontinued. BD will continue to distribute test strips for its customers through December 2007. The decision to exit the BGM market was made following an evaluation of the future outlook for the product line. The Company recorded a pre-tax charge of $63,414 in 2006 in connection with its decision to exit the BGM product line. This charge consisted of $5,352 related to estimated customer sales returns, $31,602 related to the write-off of inventory and related purchase commitments, $14,052 related to long-lived asset write-downs, and $12,408 related to severance and other exit costs. During the fourth quarter of 2007, the Company reversed $8,781 of this charge to reinstate certain long-lived assets to reflect the use of these assets. At September 30, 2006, an accrual of $32,408, which primarily consisted of inventory-related purchase commitments and severance, was reported in current liabilities. At September 30, 2007, the accrual was substantially utilized, after reflecting the reversal of $5,365 of these costs during 2007.

During the first quarter of 2007, the Company received an unsolicited offer for the purchase of the BGM product line. On December 11, 2006, the Company sold the product line for $19,971 and recognized a pre-tax gain on sale of $15,226. During the second quarter of 2007, the Company recognized adjustments, thereby increasing the gain on sale by $6,093. These adjustments constitute revisions to estimated sales return accruals, primarily related to obligations that ceased to exist in the second quarter pursuant to the sale terms. During 2007, adjustments of $3,226 were made to reduce other accruals related to obligations that remained with the Company upon divestiture of the product line. Additionally, the Company received a payment of $4,675, which represented the resolution of a contingency with a former supplier. Following the sale, the Company's prior period Consolidated Statements of Income and Cash Flows and related disclosures have been restated to separately present the results of the BGM product line as discontinued operations. The September 30, 2006 Consolidated Balance Sheet has not been restated.

Other

In August 2005, the Company completed the sale of the Clontech unit of the Biosciences segment for $62,100 and recognized a gain on sale of $13,336 ($28,533 after taxes). Clontech's results of operations were reported as discontinued operations for all periods presented in the accompanying Consolidated Statements of Income and Cash Flows.

Results of discontinued operations for the years ended September 30 were as follows:

	2007	2006	2005[B]
Revenues	$ 33,086	$ 96,811	$123,518
Income (loss) from discontinued operations before income taxes	49,108	(95,653)[A]	(17,134)
Income tax (provision) benefit	(15,242)	32,823	26,877
Income (loss) from discontinued operations, net	$ 33,866	$(62,830)[A]	$ 9,743

(A) Includes post-closing charges of $4,708 ($3,311 after taxes) related to the divestiture of Clontech.

(B) Includes revenues of $49,670 and income before taxes of $15,541 ($29,980 after taxes) related to the operations of Clontech. The effective tax rate benefit of 92.9% reflected the consummation of the sale of Clontech as a sale of stock, which was previously assumed to be an asset sale. The Company recognized a benefit from the write-off of deferred tax liabilities associated with basis adjustments.

4 Other Intangible Assets

Other intangible assets at September 30 consisted of:

	2007		2006	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets				
Core and developed technology	$548,995	$174,216	$377,633	$132,822
Patents, trademarks, and other	289,920	203,037	337,176	254,717
	$838,915	$377,253	$714,809	$387,539
Unamortized intangible assets				
Trademarks	$ 9,055		$ 9,042	

Intangible amortization expense was $46,607, $34,843 and $29,529 in 2007, 2006 and 2005, respectively. The estimated aggregate amortization expense for the fiscal years ending September 30, 2008 to 2012 are as follows: 2008–$49,100; 2009–$46,900; 2010–$45,200; 2011–$43,700; 2012–$40,600.

5 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 healthcare and life insurance benefit plans in foreign countries are not material. The measurement date used for the Company's employee benefit plans is September 30.

During 2007, the Company redesigned its U.S. pension plans to provide for a cash benefit formula by offering a one-time, irrevocable election to existing employees to change to this provision and mandating all new employees hired after April 1, 2007 to participate in the new formula. The Company also amended its other postretirement benefits plan to provide that new hires, as of April 1, 2007 or later, will no longer be eligible for company subsidized benefits. These amendments did not have a material impact on the net pension and postretirement cost of the Company.

Net pension and other postretirement cost for the years ended September 30 included the following components:

	Pension Plans			Other Postretirement Benefits		
	2007	2006	2005	**2007**	2006	2005
Service cost	**$ 69,869**	$ 74,111	$ 61,836	**$ 4,386**	$ 4,164	$ 3,657
Interest cost	**75,728**	71,997	66,837	**14,608**	14,873	15,321
Expected return on plan assets	**(88,527)**	(80,063)	(59,372)	**—**	—	—
Amortization of prior service cost	**348**	309	211	**(6,233)**	(6,233)	(6,233)
Amortization of loss	**17,507**	27,932	22,951	**5,795**	7,127	6,164
Amortization of net obligation	**(92)**	(70)	134	**—**	—	—
	$ 74,833	$ 94,216	$ 92,597	**$18,556**	$19,931	$18,909

Net pension cost attributable to foreign plans included in the preceding table was $21,156, $18,639 and $16,772 in 2007, 2006 and 2005, respectively.

Effective September 30, 2007, the Company adopted the recognition and disclosure provisions of SFAS No. 158, which requires the Company to recognize on a prospective basis the funded status of its pension and other postretirement benefit plans in the Consolidated Balance Sheet with a corresponding adjustment to Accumulated other comprehensive income (loss). The Company also recognized the funded status of its postemployment benefit plans in connection with the adoption of SFAS No. 158. The minimum pension liability, previously included in Accumulated other comprehensive income (loss), and the related intangible asset were derecognized upon the adoption of SFAS No. 158.

The effects of applying SFAS No. 158 at September 30, 2007 were as follows:

	Before Application of SFAS No. 158	SFAS No. 158 Adjustments	After Application of SFAS No. 158
Prepaid expenses, deferred taxes and other	$ 326,119	$ (186)	$ 325,933
Other Intangibles, Net	96,391	(453)	95,938
Other	502,428	(35,836)	466,592
Salaries, wages and related items	(435,857)	3	(435,854)
Long-Term Employee Benefit Obligations	(268,128)	(176,746)	(444,874)
Deferred Income Taxes and Other	(91,535)	3,523	(88,012)
Accumulated other comprehensive income	(211,523)	209,695	(1,828)

The change in benefit obligation, change in fair value of plan assets, funded status and amounts recognized in the Consolidated Balance Sheets for these plans were as follows:

	Pension Plans		Other Postretirement Benefits	
	2007	2006	**2007**	2006
Change in benefit obligation:				
Beginning obligation	**$1,384,667**	$1,413,092	**$ 255,726**	$ 281,197
Service cost	**69,869**	74,111	**4,386**	4,164
Interest cost	**75,728**	71,997	**14,608**	14,873
Plan amendments	**(16,586)**	86	**—**	—
Benefits paid	**(97,671)**	(75,207)	**(25,411)**	(22,734)
Actuarial gain	**(63,519)**	(117,307)	**(11,818)**	(24,345)
Other, includes translation	**41,942**	17,895	**8,480**	2,571
Benefit obligation at September 30	**$1,394,430**	$1,384,667	**$ 245,971**	$ 255,726
Change in fair value of plan assets:				
Beginning fair value	**$1,124,565**	$ 933,920	**$ —**	$ —
Actual return on plan assets	**138,446**	91,569	**—**	—
Employer contribution	**96,952**	160,340	**—**	—
Benefits paid	**(97,671)**	(75,207)	**—**	—
Other, includes translation	**33,877**	13,943	**—**	—
Plan assets at September 30	**$1,296,169**	$1,124,565	**$ —**	$ —
Funded status at September 30:				
Unfunded benefit obligation	**$ (98,261)**	$ (260,102)	**$(245,971)**	$(255,726)
Unrecognized net transition obligation	**—**	(1,012)	**—**	—
Unrecognized prior service cost (credit)	**—**	6,193	**—**	(12,920)
Unrecognized net actuarial loss	**—**	356,968	**—**	77,392
Net amount recognized	**$ (98,261)**	$ 102,047	**$(245,971)**	$(191,254)
Amounts recognized in the Consolidated Balance Sheets at September 30:				
Other Intangibles, Net	**$ —**	$ 2,345	**$ —**	$ —
Other	**32,710**	148,129	**—**	—
Salaries, wages and related items	**(2,668)**	—	**(20,067)**	—
Long-Term Employee Benefit Obligations	**(128,303)**	(67,996)	**(225,904)**	(191,254)
Accumulated other comprehensive income (loss) before income taxes	**—**	19,569	**—**	—
Net amount recognized	**$ (98,261)**	$ 102,047	**$(245,971)**	$(191,254)
Amounts recognized in Accumulated other comprehensive income (loss) before income taxes at September 30:				
Net transition obligation	**$ (1,156)**		**$ —**	
Prior service credit	**(10,086)**		**(6,688)**	
Net actuarial loss	**238,144**		**62,194**	
Net amount recognized	**$ 226,902**		**$ 55,506**	

Foreign pension plan assets at fair value included in the preceding table were $359,291 and $299,047 at September 30, 2007 and 2006, respectively. The foreign pension plan projected benefit obligations were $430,265 and $382,584 at September 30, 2007 and 2006, 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 $96,723, $76,398 and $14,685, respectively as of September 30, 2007, and $126,545, $100,473 and $41,576, respectively as of September 30, 2006.

The estimated net actuarial loss and prior service credit for pension benefits that will be amortized from Accumulated other comprehensive loss into net pension costs over the next fiscal year are expected to be $7,825 and $(1,117) million, respectively. The estimated net actuarial loss and prior service credit for other postretirement benefits that will be amortized from Accumulated other comprehensive income (loss) into net other postretirement costs over the next fiscal year are expected to be $3,949 and $(6,233) million, respectively.

The weighted average assumptions used in determining pension plan information were as follows:

	2007	2006	2005
Net Cost			
Discount rate:			
U.S. plans[A]	**5.95%**	5.50%	6.00%
Foreign plans	**4.65**	4.19	4.95
Expected return on plan assets:			
U.S. plans	**8.00**	8.00	8.00
Foreign plans	**6.42**	6.02	6.60
Rate of compensation increase:			
U.S. plans[A]	**4.50**	4.25	4.25
Foreign plans	**3.08**	2.92	2.98
Benefit Obligation			
Discount rate:			
U.S. plans[A]	**6.35**	5.95	5.50
Foreign plans	**5.32**	4.65	4.19
Rate of compensation increase:			
U.S. plans[A]	**4.50**	4.50	4.25
Foreign plans	**3.45**	3.08	2.92

(A) Also used to determine other postretirement and postemployment benefit plan information.

At September 30, 2007 the assumed healthcare trend rates were 9% pre and post age 65, gradually decreasing to an ultimate rate of 5% beginning in 2012. At September 30, 2006 the corresponding assumed healthcare trend rates were 10% pre and post age 65, gradually decreasing to an ultimate rate of 5% beginning in 2012. A one percentage point increase in assumed healthcare cost trend rates in each year would increase the accumulated postretirement benefit obligation as of September 30, 2007 by $11,165 and the aggregate of the service cost and interest cost components of 2007 annual expense by $759. A one percentage point decrease in the assumed healthcare cost trend rates in each year would decrease the accumulated postretirement benefit obligation as of September 30, 2007 by $9,977 and the aggregate of the 2007 service cost and interest cost by $677.

Expected Funding

The Company's funding policy for its defined benefit pension plans is to contribute amounts sufficient to meet legal funding requirements, plus any additional amounts that may be appropriate considering the funded status of the plans, tax consequences, the cash flow generated by the Company and other factors. While the Company will not be required to fund any of its pension plans in 2008, the Company made a discretionary contribution to a certain foreign pension plan in October 2007 of $22,900.

Expected benefit payments are as follows:

	Pension Plans	Other Postretirement Benefits
2008	$ 81,738	$ 20,067
2009	70,735	20,378
2010	75,948	20,798
2011	81,612	20,907
2012	89,059	20,757
2013–2017	522,634	100,137

Expected receipts of the subsidy under the Medicare Prescription Drug Improvement and Modernization Act of 2003, which are not reflected in the expected other postretirement benefit payments included in the preceding table, are as follows: 2008, $2,059; 2009, $2,190; 2010, $2,280; 2011, $2,362; 2012, $2,417; 2013-2017, $12,174.

The Company's asset allocations for its defined benefit pension plans at September 30 were as follows:

	2007	2006
Equity securities	64.5%	64.4%
Debt securities	33.1	33.0
Other	2.4	2.6
	100.0%	100.0%

Investment Strategy

The Company's investment objective is to achieve superior returns on plan assets, subject to a prudent level of portfolio risk, for the purpose of enhancing the security of benefits for participants. The Company's investments include a broad range of equity and fixed-income securities. These investments are diversified in terms of domestic and international equity securities, short-term and long-term securities, growth and value styles, as well as small and large capitalization stocks. The Company's target allocation percentages are as follows: equity securities (58%–69%); fixed-income securities (31%–39%); and cash (0%–3%). Equity securities are held for their expected high return and excess return over inflation. Fixed-income securities are held for diversification relative to equities. The plans may also hold cash to meet liquidity requirements. Due to short-term fluctuations in market conditions, allocation percentages may temporarily deviate from these target allocation percentages before a rebalancing occurs. Investment risks and returns are measured and monitored on an on-going basis through annual liability measurements and quarterly investment portfolio reviews to determine whether the asset allocation targets continue to represent an appropriate balance of expected risk and reward.

The expected rate of return on plan assets is based upon expectations of long-term average rates of return to be achieved by the underlying investment portfolios. In establishing this assumption, the Company considers historical and expected rates of return for the asset classes in which the plan's assets are invested, as well as current economic and capital market conditions.

Postemployment Benefits

The Company utilizes a service-based approach in applying SFAS No. 112, "Employers' Accounting for Postemployment Benefits–an amendment of FASB Statements No. 5 and 43," for most of its postemployment benefits. This approach recognizes that actuarial gains and losses may result from experience that differs from baseline assumptions.

Postemployment benefit costs for the years ended September 30 included the following components:

	2007	2006	2005
Service cost	$10,449	$10,148	$8,975
Interest cost	5,116	4,946	4,438
Amortization of prior service cost	1,654	1,654	1,654
Amortization of loss	6,895	8,548	7,613
	$24,114	$25,296	$22,680

The unfunded status of the postemployment benefit plans was $101,514 at September 30, 2007 and these plans are not funded. The amounts recognized in Accumulated other comprehensive income (loss) before income taxes for the net actuarial loss was $57,110 at September 30, 2007. The estimated net actuarial loss that will be amortized from the Accumulated other comprehensive income (loss) into postemployment benefit cost over the next fiscal year is $6,845.

Savings Incentive Plan

The Company has a voluntary defined contribution plan ("Savings Incentive Plan") covering eligible employees in the United States. In connection with the redesign of the U.S. pension and postretirement benefit plans, effective July 1, 2007, the Company amended its Savings Incentive Plan increasing the amount of the Company matching contribution for eligible employees to 75% of employees' contributions, up to a maximum of 4.5% of each employee's eligible compensation. Prior to that date, the Company matched 50% of employees' contributions, up to a maximum of 3% of each employee's salary. The cost of the Savings Incentive Plan was $21,878 in 2007, $16,626 in 2006 and $6,905 in 2005. The Company guarantees employees' contributions to the fixed income fund of the Savings Incentive Plan, which consists of diversified money market instruments. The amount guaranteed was $144,772 at September 30, 2007.

6 Income Taxes

The provision for income taxes from continuing operations for the years ended September 30 consisted of:

	2007	2006	2005
Current:			
Federal	**$ 307,072**	$ 281,784	$130,657
State and local, including Puerto Rico	**21,669**	12,004	5,169
Foreign	**134,526**	125,289	125,414
	463,267	419,077	261,240
Deferred:			
Domestic	**(94,306)**	(101,651)	76,540
Foreign	**(21,183)**	(6,634)	(12,771)
	(115,489)	(108,285)	63,769
	$ 347,778	$ 310,792	$325,009

The components of Income From Continuing Operations Before Income Taxes for the years ended September 30 consisted of:

	2007	2006	2005
Domestic, including Puerto Rico	**$ 550,750**	$ 466,655	$ 465,188
Foreign	**653,195**	659,247	572,341
	$1,203,945	$1,125,902	$1,037,529

Deferred tax assets and liabilities are netted on the balance sheet by separate tax jurisdictions. At September 30, 2007 and 2006, net current deferred tax assets of $168,305 and $181,406, respectively, were included in Prepaid expenses, deferred taxes and other. Net non-current deferred tax assets of $168,251 and $32,582, respectively, were included in Other. Net current deferred tax liabilities of $6,136 and $2,184, respectively, were included in Current Liabilities–Income taxes. Net non-current deferred tax liabilities of $37,121 and $143,435, respectively, were included in Deferred Income Taxes and Other. Deferred taxes are not provided on undistributed earnings of foreign subsidiaries that are indefinitely reinvested. At September 30, 2007, the cumulative amount of such undistributed earnings indefinitely reinvested outside the United States was $1.6 billion. Determining the tax liability that would arise if these earnings were remitted is not practicable. Deferred taxes are provided for earnings outside the United States when those earnings are not considered indefinitely reinvested.

In October 2004, the American Jobs Creations Act of 2004 (the "AJCA") was signed into law. The AJCA created a temporary incentive for U.S. multinationals to repatriate accumulated income earned outside the United States. As a result of the passage of the AJCA, the Company revisited its policy of indefinite reinvestment of foreign earnings and made a decision to repatriate approximately $1.3 billion in 2006 pursuant to its approved repatriation plan. The Company recorded a charge of $77,200 in 2005 attributable to the planned repatriation of these earnings. During 2006, the Company repatriated approximately $1.3 billion in accordance with its planned repatriation under the AJCA. The actual tax charge associated with this repatriation was $65,768.

Deferred income taxes at September 30 consisted of:

	2007		2006	
	Assets	**Liabilities**	Assets	Liabilities
Compensation and benefits	**$ 301,118**	**$ —**	$146,432	$ —
Property and equipment	**—**	**190,979**	—	144,365
Loss and credit carryforwards	**193,981**	**—**	111,388	—
Other	**172,740**	**83,538**	199,997	159,853
	667,839	**274,517**	457,817	304,218
Valuation allowance	**(100,023)**	**—**	(85,230)	—
	$ 567,816	**$274,517**	$372,587	$304,218

Valuation allowances have been established for capital loss carryforwards, state deferred tax assets, net of federal tax, related to net operating losses and credits and other deferred tax assets for which the Company has determined it is more likely than not that these benefits will not be realized. At September 30, 2007, the Company had deferred state tax assets for net state operating losses and credit carryforwards of $49,641 for which a valuation allowance of $33,191 has been established due to the uncertainty of generating sufficient taxable income in the state jurisdictions to utilize the deferred tax assets before they principally expire between 2008 and 2014. In 2007, a previously established valuation allowance of approximately $19,700 related to state tax credit carryforwards was reversed and included in the state and local income tax line item in the following rate reconciliation table. The Company also has federal and state capital loss carryforward deferred tax assets of $51,428 for which a full valuation allowance has been established due to the uncertainty of recognizing the benefit from these losses before they principally expire in 2010.

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

	2007	2006	2005
Federal statutory tax rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal tax benefit	0.2	0.6	0.7
Effect of foreign and Puerto Rico earnings and foreign tax credits	(9.2)	(7.4)	(10.2)
Effect of Research, Domestic Production Activities, Extraterritorial Income tax benefits	(0.5)	(1.3)	(2.0)
Acquired in-process research and development	3.6	1.8	—
Repatriation of foreign earnings under the AJCA	—	(1.1)	7.7
Other, net	(0.2)	—	0.1
	28.9%	27.6%	31.3%

The approximate dollar and diluted earnings per share amounts of tax reductions related to tax holidays in various countries in which the Company does business were: 2007–$80,300 and $0.32; 2006–$70,000 and $0.27; and 2005–$75,150 and $0.29. The tax holidays expire at various dates through 2023.

The Company made income tax payments, net of refunds, of $345,049 in 2007, $398,808 in 2006 and $183,867 in 2005.

7 Supplemental Financial Information

Other Income (Expense), Net

Other income (expense), net in 2007 was $944, which primarily included income from license and other agreements of $6,128, partially offset by net write downs of certain investments of $(5,538) and foreign exchange losses (inclusive of hedging costs) of $(4,191).

Other income (expense), net in 2006 was $(8,762), which primarily included net write downs of certain investments of $(11,046) and foreign exchange losses (inclusive of hedging costs) of $(5,142), partially offset by income from license and other agreements of $4,281.

Other income (expense), net in 2005 was $(7,064), which primarily included foreign exchange losses (inclusive of hedging costs) of $(3,976) and net write downs of certain investments of $(3,519).

Trade Receivables, Net

Allowances for doubtful accounts and cash discounts netted against trade receivables were $39,650 and $38,256 at September 30, 2007 and 2006, respectively.

Inventories

Inventories at September 30 consisted of:

	2007	2006
Materials	$ 142,484	$121,598
Work in process	195,155	156,957
Finished products	714,320	597,183
	$1,051,959	$875,738

Property, Plant and Equipment, Net

Property, Plant and Equipment, Net at September 30 consisted of:

	2007	2006
Land	$ 79,368	$ 68,882
Buildings	1,597,356	1,361,614
Machinery, equipment and fixtures	3,596,781	3,239,397
Leasehold improvements	80,610	73,064
	5,354,115	4,742,957
Less accumulated depreciation and amortization	2,856,777	2,609,409
	$2,497,338	$2,133,548

8 Debt

Short-term debt at September 30 consisted of:

	2007	2006
Loans payable:		
Domestic	$200,000	$200,000
Foreign	6,768	126,121
Current portion of long-term debt	866	101,097
	$207,634	$427,218

Domestic loans payable consist of commercial paper. Foreign loans payable consist of short-term borrowings from financial institutions. The weighted average interest rates for Short-term debt were 5.2% and 4.6% at September 30, 2007 and 2006, respectively. During 2007, the Company amended its syndicated credit facility to increase the amount available from $900 million to $1 billion and extend the expiration date from August 2009 to December 2011.

During 2008, the facility was again amended, extending its expiration date to December 2012. This credit facility provides backup support for the commercial paper program and can also be used for other general corporate purposes. This credit facility includes a restrictive covenant that requires a minimum interest coverage ratio. There were no borrowings outstanding under the facility at September 30, 2007. In addition, the Company had short-term foreign lines of credit pursuant to informal arrangements of approximately $175,000 at September 30, 2007, of which $168,000 was unused.

Long-Term Debt at September 30 consisted of:

	2007	2006
Domestic notes due through 2013 (average year-end interest rate: 4.3%–2007; 4.2%–2006)	$ 9,801	$ 10,566
7.15% Notes due October 1, 2009	205,914	206,144
4.55% Notes due April 15, 2013	198,734	198,537
4.90% Notes due April 15, 2018	206,214	206,674
7.00% Debentures due August 1, 2027	168,000	168,000
6.70% Debentures due August 1, 2028	167,050	167,050
	$955,713	$956,971

Long-term debt balances as of September 30, 2007 and 2006 have been impacted by certain interest rate swaps that have been designated as fair value hedges, as discussed in Note 9.

The aggregate annual maturities of long-term debt during the fiscal years ending September 30, 2009 to 2012 are as follows: 2009–$745; 2010–$206,385; 2011–$466; 2012–$119.

The Company capitalizes interest costs as a component of the cost of construction in progress. A summary of interest costs for the years ended September 30 were as follows:

	2007	2006	2005
Charged to operations	$46,420	$66,046	$55,673
Capitalized	27,528	19,955	14,770
	$73,948	$86,001	$70,443

Interest paid, net of amounts capitalized, was $50,730 in 2007, $62,514 in 2006 and $68,527 in 2005.

9 Financial Instruments

Foreign Exchange Derivatives

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

The Company hedges substantially all of its transactional foreign exchange exposures, primarily intercompany payables and receivables, through the use of forward contracts and currency options with maturities of less than 12 months. Gains or losses on these contracts are largely offset by gains and losses on the underlying hedged items. These foreign exchange contracts do not qualify for hedge accounting.

In addition, the Company enters into option and forward contracts to hedge certain forecasted sales that are denominated in foreign currencies. These contracts are designated as cash flow hedges and are effective as hedges of these revenues. These contracts are intended to reduce the risk that the Company's cash flows from certain third party transactions will be adversely affected by changes in foreign currency exchange rates. Changes in the effective portion of the fair value of these contracts are included in other comprehensive income until the hedged sales transactions are recognized in earnings. Once the hedged transaction occurs, the gain or loss on the contract is recognized from Accumulated other comprehensive income (loss) to revenues. The Company recorded hedge net gains, exclusive of hedging costs, of $6,911 and $8,242 and a net loss, exclusive of hedging costs, of $1,876 to revenues in 2007, 2006 and 2005, respectively. Revenues in 2007, 2006 and 2005 are net of hedging costs of $15,136, $12,508 and $17,286, respectively, related to the purchased option contracts. The Company records in Other income (expense), net, the premium or cost of the forward contracts, which is excluded from the assessment of hedge effectiveness. The net premium was $562 in 2006 and the net cost was $236 in 2005. All outstanding contracts that were designated as cash flow hedges as of September 30, 2007 will mature by September 30, 2008. At September 30, 2007 and 2006, Accumulated other comprehensive income (loss) included unrealized losses of $4,994 and $1,522, respectively, net of tax, relating to foreign exchange derivatives that have been designated as cash flow hedges.

Interest Rate Derivatives

The Company's policy is to manage interest cost using a mix of fixed and floating rate debt. The Company has entered into interest rate swaps in which it agrees to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated as either fair value or cash flow hedges. For fair value hedges, changes in the fair value of the interest rate swaps offset changes in the fair value of the fixed rate debt due to changes in market interest rates. For cash flow hedges, changes in the fair value of the interest rate swaps are offset by amounts recorded in other comprehensive income (loss). There was no ineffective portion to the hedges recognized in earnings during the period. If interest rate derivatives designated as cash flow hedges mature or are terminated, then the balance in other comprehensive income (loss) attributable to those derivatives is reclassified into earnings over the remaining life of the hedged debt. The amount that will be reclassified and recorded in Interest expense within the next 12 months is $1,760.

At September 30, 2007 and 2006, Accumulated other comprehensive income (loss) included an unrealized loss of $11,397 and $12,273, respectively, net of tax, relating to interest rate derivatives that have been designated as cash flow hedges.

Fair Value of Financial Instruments

Cash equivalents, short-term investments and short-term debt are carried at cost, which approximates fair value. Equity securities, where a readily determinable market value exists, are classified as available-for-sale securities. Available-for-sale securities are carried at fair value, with unrecognized gains and losses reported in other comprehensive income (loss), net of taxes. Losses on available-for-sale securities are recognized when a loss is determined to be other than temporary or when realized.

The fair value of forward exchange contracts and currency options 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 were as follows:

	2007		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Currency options[A]	$ 3,982	$ 3,982	$ 12,471	$ 12,471
Forward exchange contracts[A]	8,007	8,007	3,156	3,156
Interest rate swaps[A]	5,914	5,914	6,144	6,144
Equity securities	1,291	1,291	25,436[B]	25,436[B]
Liabilities:				
Forward exchange contracts[C]	8,968	8,968	2,878	2,878
Long-term debt	955,713	949,490	956,971	976,404

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

(B) Included in Other non-current assets and primarily represents equity securities in TriPath, acquired on December 20, 2006.

(C) Included in Accrued Expenses.

Concentration of Credit Risk

Substantially all of the Company's trade receivables are due from public and private entities involved in the 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. However, this loss is limited to the amounts, if any, by which the obligations of the counterparty to the financial instrument contract exceed the obligations of the Company. The Company also minimizes exposure to credit risk by dealing with a diversified group of major financial institutions.

10 Shareholders' Equity

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

	Common Stock Issued at Par Value	Capital in Excess of Par Value	Retained Earnings	Deferred Compensation	Treasury Stock Shares	Treasury Stock Amount
Balance at September 30, 2004	$332,662	$ 414,515	$4,264,778	$ 10,222	(83,327,295)	$(1,816,756)
Net income			722,263			
Cash dividends:						
Common ($.72 per share)			(181,189)			
Common stock issued for:						
Share-based compensation plans, net		124,220			4,638,097	44,839
Business acquisitions		206			4,565	45
Share-based compensation		70,199				
Common stock held in trusts, net				58	40,472	(58)
Repurchase of common stock					(9,711,800)	(549,999)
Conversion of ESOP preferred stock		6,706			3,378,028	24,436
Balance at September 30, 2005	$332,662	$ 615,846	$4,805,852	$ 10,280	(84,977,933)	$(2,297,493)
Net income			752,280			
Cash dividends:						
Common ($.86 per share)			(212,435)			
Common stock issued for:						
Share-based compensation plans, net		148,342			5,066,384	49,057
Business acquisitions		734			15,864	156
Share-based compensation		108,613				
Common stock held in trusts, net				854	(17,275)	(854)
Repurchase of common stock					(7,281,100)	(448,882)
Balance at September 30, 2006	$332,662	$ 873,535	$5,345,697	$ 11,134	(87,194,060)	$(2,698,016)
Net income			890,033			
Cash dividends:						
Common ($.98 per share)			(239,943)			
Common stock issued for:						
Share-based compensation plans, net		143,420			4,380,724	43,213
Business acquisitions		707			10,812	105
Share-based compensation		107,706				
Common stock held in trusts, net				1,071	(70,542)	(1,071)
Repurchase of common stock					(5,952,000)	(450,124)
Balance at September 30, 2007	**$332,662**	**$1,125,368**	**$5,995,787**	**$ 12,205**	**(88,825,066)**	**$(3,105,893)**

Common stock held in trusts represents rabbi trusts in connection with deferred compensation under the Company's employee salary and bonus deferral plan and directors' deferral plan. In December 2004, the remaining unallocated shares of ESOP preferred stock were converted to BD common stock and were fully utilized by April 2005.

11 Accumulated Other Comprehensive Income (Loss)

The components of Accumulated other comprehensive income (loss) were as follows:

	2007	2006
Foreign currency translation adjustments	$ 237,394	$(13,017)
Minimum pension liability adjustment	—	(12,059)
Benefit plans adjustment	(218,595)	—
Unrealized (loss) gain on investments	(580)	10,063
Unrealized losses on cash flow hedges	(16,391)	(13,795)
	$ 1,828	$(28,808)

The change in Accumulated other comprehensive income (loss) consists of other comprehensive income (loss) of $240,331, offset by the SFAS No. 158 adjustments of $209,695.

The income tax provision (benefit) recorded in fiscal years 2007 and 2006 for the unrealized gains on investments was $(6,524) and $743, respectively. The income tax benefit recorded in fiscal years 2007 and 2006 for cash flow hedges was $1,247 and $800, respectively. The income tax provision recorded in fiscal years 2007 and 2006 for the minimum pension liability adjustment was $2,050 and $47,259, respectively. Income taxes are generally not provided for translation adjustments.

The unrealized losses on cash flow hedges included in other comprehensive income (loss) for 2007 and 2006 are net of reclassification adjustments of $5,099 and $2,645, net of tax, respectively, for realized net hedge losses recorded to revenues. These amounts had been included in Accumulated other comprehensive income (loss) in prior periods. The tax benefits associated with these reclassification adjustments in 2007 and 2006 were $3,126 and $1,621, respectively.

12 Commitments and Contingencies

Commitments

Rental expense for all operating leases amounted to $68,100 in 2007, $63,400 in 2006, and $59,000 in 2005. Future minimum rental commitments on noncancelable leases are as follows: 2008–$45,600; 2009–$34,200; 2010–$25,200; 2011–$18,300; 2012–$14,100 and an aggregate of $16,200 thereafter.

As of September 30, 2007, the Company has certain future purchase commitments aggregating to approximately $365,000, which will be expended over the next several years.

Contingencies

The Company is named as a defendant in five purported class action suits brought on behalf of direct purchasers of the Company's products, such as distributors, alleging that the Company violated federal antitrust laws, resulting in the charging of higher prices for the Company's products to the plaintiff and other purported class members. The cases filed are as follows: *Louisiana Wholesale Drug Company, Inc., et. al. vs. Becton Dickinson and Company* (Civil Action No. 05-1602, U.S. District Court, Newark, New Jersey), filed on March 25, 2005; *SAJ Distributors, Inc. et. al. vs. Becton Dickinson & Co.* (Case 2:05-CV-04763-JD, United States District Court, Eastern District of Pennsylvania), filed on September 6, 2005; *Dik Drug Company, et. al. vs. Becton, Dickinson and Company* (Case No. 2:05-CV-04465, U.S. District Court, Newark, New Jersey), filed on September 12, 2005; *American Sales Company, Inc. et. al. vs. Becton, Dickinson & Co.* (Case No. 2:05-CV-05212-CRM, U.S. District Court, Eastern District of Pennsylvania), filed on October 3, 2005; and *Park Surgical Co. Inc. et. al. vs. Becton, Dickinson and Company* (Case 2:05-CV-05678-CMR, United States District Court, Eastern District of Pennsylvania), filed on October 26, 2005.

The actions brought by Louisiana Wholesale Drug Company and Dik Drug Company in New Jersey have been consolidated under the caption "*In re Hypodermic Products Antitrust Litigation.*"

The Company is also named as a defendant in four purported class action suits brought on behalf of indirect purchasers of the Company's products, alleging that the Company violated federal antitrust laws, resulting in the charging of higher prices for the Company's products to the plaintiff and other purported class members. The cases filed are as follows: *Jabo's Pharmacy, Inc., et. al. v. Becton Dickinson & Company* (Case No. 2:05-CV-00162, United States District Court, Greenville, Tennessee) filed on June 7, 2005; *Drug Mart Tallman, Inc., et. al. v. Becton Dickinson and Company* (Case No. 2:06-CV-00174, U.S. District Court, Newark, New Jersey), filed on January 17, 2006;

Medstar v. Becton Dickinson (Case No. 06-CV-03258-JLL (RJH), U.S. District Court, Newark, New Jersey), filed on May 18, 2006; and *The Hebrew Home for the Aged at Riverdale v. Becton Dickinson and Company* (Case No. 07-CV-2544, U.S. District Court, Southern District of New York), filed on March 28, 2007. A fifth purported class action on behalf of indirect purchasers (*International Multiple Sclerosis Management Practice v. Becton Dickinson & Company* (Case No. 2:07-cv-10602, U.S. District Court, Newark, New Jersey), filed on April 5, 2007) was voluntarily withdrawn by the plaintiff.

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

On August 31, 2005, Daniels Sharpsmart filed suit against the Company, another manufacturer and three group purchasing organizations under the caption *Daniels Sharpsmart, Inc. v. Tyco International, (US) Inc., et. al.* (Civil Action No. 505CV169, United States District Court, Eastern District of Texas). The plaintiff alleged, among other things, that the Company and the other defendants conspired to exclude the plaintiff from the sharps-collection market by entering into long-term contracts in violation of federal and state antitrust laws, and sought monetary damages. On September 28, 2007, the Company and the plaintiff entered into an agreement to settle the matter on terms that are not material to the Company.

On June 6, 2006, UltiMed, Inc., a Minnesota company, filed suit against the Company in the United States District Court in Minneapolis, Minnesota (*UltiMed, Inc. v. Becton, Dickinson and Company* (06CV2266)). The plaintiff alleges, among other things, that the Company excluded the plaintiff from the market for home use insulin syringes by entering into anticompetitive contracts in violation of federal and state antitrust laws. The plaintiff seeks money damages and injunctive relief.

In June 2007, Retractable Technologies, Inc. ("plaintiff") filed a complaint against the Company under the caption *Retractable Technologies, Inc. vs. Becton Dickinson and Company* (Civil Action No. 2:07-cv-250, United States District Court, Eastern District of Texas). Plaintiff alleges that the *BD Integra* syringes infringe patents licensed exclusively to the plaintiff. This patent claim was not covered by the release contained in the July 2004 settlement agreement between the Company and plaintiff to settle the lawsuit previously filed by plaintiff. In its complaint, plaintiff also alleges that the Company engaged in false advertising with respect to certain of the Company's safety-engineered products in violation of the Lanham Act; acted to exclude the plaintiff from various product markets and to maintain its market share through, among other things, exclusionary contracts in violation of state and Federal antitrust laws; and engaged in unfair competition. The non-patent claims purport to relate to actions allegedly taken by the Company following the date of the July 2004 settlement agreement referenced above. Plaintiff seeks treble damages, attorney's fees and injunctive relief.

The Company, along with another manufacturer and several medical product distributors, is named as a defendant in three product liability lawsuits relating to healthcare workers who allegedly sustained accidental needlesticks, but have not become infected with any disease. Generally, these 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. In some cases, these actions additionally allege that the healthcare workers have sustained mental anguish. Plaintiffs seek money damages in all of these actions. The Company had previously been named as a defendant in eight similar suits relating to healthcare workers who allegedly sustained accidental needlesticks, each of which has either been dismissed with prejudice or voluntarily withdrawn. Regarding the three pending suits:

- In Ohio, *Grant vs. Becton Dickinson et. al.* (Case No. 98CVB075616, Franklin County Court), on September 21, 2006, the Ohio Court of Appeals reversed the trial court's grant of class certification. The matter has been remanded to the trial court for a determination of whether the class can be redefined.
- In Oklahoma and South Carolina, cases have been filed on behalf of an unspecified number of healthcare workers seeking class action certification under the laws of these states 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, and 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.

The Company continues to oppose class action certification in these cases, including pursuing all appropriate rights of appeal.

The Company, along with a number of other manufacturers, was named as a defendant in approximately 524 product liability lawsuits in various state and Federal courts related to natural rubber latex gloves which the Company ceased manufacturing in 1995. 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. Since the inception of this litigation, 467 of these cases have been closed with no liability to the Company, and 46 cases have been settled for an aggregate de minimis amount.

On August 8, 2005, the Company received a subpoena issued by the Attorney General of the State of Connecticut, which seeks documents and information relating to the Company's participation as a member of Healthcare Research & Development Institute, LLC ("HRDI"), a healthcare trade organization. The subpoena indicated that it was issued as part of an investigation into possible violations of the antitrust laws. On August 21, 2006, the Company received a subpoena issued by the Attorney General of the State of Illinois which sought documents and information relating to the Company's participation as a member of HRDI. The subpoena indicated that it was issued as part of an investigation into possible violations of the Illinois Consumer Fraud and Deceptive Business Practices Act, Charitable Trust Act, and Solicitation for Charity Act. An independent member of the Company's board of directors, Gary Mecklenburg, also served as a member and the non-executive chairman of HRDI until November 5, 2006. In January 2007, it was reported that HRDI entered into a settlement with the Attorneys General of Connecticut and Florida with respect to the investigation being conducted by the Connecticut Attorney General (the Company has not been contacted by the State of Florida). To the Company's knowledge, both the Connecticut and Illinois investigations are still ongoing. The Company believes that its participation in HRDI complied fully with the law and has responded to these subpoenas. The Company has not received any communication with respect to either investigation since completing its document production.

On May 28, 2004, Therasense, Inc. ("Therasense") filed suit against the Company in the U.S. District Court for the Northern District of California (Case Number: C 04-02123 WDB) asserting that the Company's blood glucose monitoring products infringe certain Therasense patents. On August 10, 2004, in response to a motion filed by Therasense in the U.S. District Court for the District of Massachusetts, the court transferred to the court in California an action previously filed by the Company against Therasense requesting a declaratory judgment that the Company's products do not infringe the Therasense patents and that the Therasense patents are invalid.

As was previously reported, Becton Dickinson France, S.A., a subsidiary of the Company, was listed among approximately 2,200 other companies in an October 2005 report of the Independent Inquiry Committee ("IIC") of the United Nations ("UN") as having been involved in humanitarian contracts in which unauthorized payments were suspected of having been made to the Iraqi Government in connection with the UN's Oil-for-Food Programme (the "Programme"). The Company conducted an internal review and found no evidence that the Company or any employee or representative of the Company made, authorized, or approved improper payments to the Iraqi Government in connection with the Programme. The Company reported the results of its internal review to the Vendor Review Committee of the United Nations Procurement Service. In May 2007, the French Judicial Police conducted searches of the Company's offices in France with respect to the matters that were the subject of the 2005 IIC report. The Company was informed that it is one of a number of companies named in the IIC report that is being investigated by the French Judicial Police. The Company is cooperating fully with the investigation.

In July 2007, the Company received notice of a suit instituted in Saudi Arabia by El Seif Development ("El Seif"), a former distributor of the Company (Case No. 7516, Board of Grievances, Saudi Arabia). El Seif seeks monetary damages arising out of the termination of its distributor agreement and other contractual arrangements with the Company.

The Company has been served with a qui tam complaint filed by a private party against the Company in the United States District Court, Northern District of Texas, alleging violations of the Federal False Claims Act ("FCA") and the Texas False Claims Act (the "TFCA"). Under the FCA, the United States Department of Justice, Civil Division has a certain period of time in which to decide whether to join the claim against the Company as an additional plaintiff; if not, the private plaintiff is free to pursue the claim on its own. A similar process is followed under the TFCA. To the Company's knowledge, no decision has yet been made by the Civil Division or the State of Texas whether to join this claim.

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

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

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

Given the uncertain nature of litigation generally, the Company is not able in all cases to estimate the amount or range of loss that could result from an unfavorable outcome of the litigation to which the Company is a party. In accordance with U.S. generally accepted accounting principles, the Company establishes accruals to the extent probable future

losses are estimable (in the case of environmental matters, without considering possible third-party recoveries). In view of the uncertainties discussed above, the Company could incur charges in excess of any currently established accruals and, to the extent available, excess liability insurance. In the opinion of management, any such future charges, individually or in the aggregate, could have a material adverse effect on the Company's consolidated results of operations and consolidated cash flows.

13 Share-Based Compensation

The Company grants share-based awards under the 2004 Employee and Director Equity-Based Compensation Plan ("2004 Plan"), which provides for long-term incentive compensation to employees and directors consisting of: stock appreciation rights ("SARs"), stock options, performance-based restricted stock units, time-vested restricted stock units and other stock awards. The Company believes such awards align the interest of its employees and directors with those of its shareholders. Prior to the adoption of the 2004 Plan, the Company had employee and director stock option plans, which were terminated with respect to future grants effective upon shareholder approval of the 2004 Plan in February 2004. In 2007, 2006 and 2005, the compensation expense for these plans charged to income was $107,706, $108,613 and $70,199, respectively, and the associated income tax benefit recognized was $37,179, $35,155 and $19,941, respectively.

Stock Appreciation Rights

Beginning with the annual share-based grant in November 2005, the Company granted SARs and discontinued the issuance of stock options. SARs represent the right to receive, upon exercise, shares of common stock having a value equal to the difference between the market price of common stock on the date of exercise and the exercise price on the date of grant. SARs vest over a four-year period and have a ten-year term, similar to the previously granted stock options. The fair value was estimated on the date of grant using a lattice-based binomial option valuation model that uses the following weighted-average assumptions in 2007 and 2006: risk-free interest rate of 4.56% and 4.48%, respectively; expected volatility of 28% for both years; expected dividend yield of 1.37% and 1.46%, respectively, and expected life of 6.5 years for both years. Expected volatility is based upon historical volatility for the Company's common stock and other factors. The expected term of SARs granted is derived from the output of the model, using assumed exercise rates based on historical exercise and termination patterns, and represents the period of time that options granted are expected to be outstanding. The risk-free interest rate used is based upon the published U.S. Treasury yield curve in effect at the time of grant for instruments with a similar life. The dividend yield is based upon the most recently declared quarterly dividend as of the grant date. The weighted average grant date fair value of SARs granted during 2007 and 2006 was $22.66 and $18.43, respectively. The total intrinsic value of SARs exercised during 2007 was $321. The Company issued 3,192 shares during 2007 to satisfy the SARs exercised.

A summary of SARs outstanding as of September 30, 2007, and changes during the year then ended is as follows:

	SARs	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance at October 1	1,684,541	$59.16		
Granted	1,570,336	71.75		
Exercised	(18,882)	59.16		
Forfeited, canceled or expired	(71,266)	65.62		
Balance at September 30	3,164,729	$65.26	8.63	$53,137
Vested and expected to vest at September 30	2,896,169	$65.17	8.62	$48,885
Exercisable at September 30	479,130	$59.90	8.20	$10,613

Stock Options

All stock option grants are for a ten-year term. Stock options issued after November 2001 vest over a four-year period. Stock options issued prior to November 2001 vested over a three-year period. Stock options granted in 2005 were valued based on the grant date fair value of those awards, using a lattice-based binomial option valuation model that used the following weighted-average assumptions: risk-free interest rate of 3.93%; expected volatility of 29%; expected dividend yield of 1.28% and expected life of 6.5 years.

The weighted average grant date fair value of stock options granted during 2005 was $17.16.

A summary of stock options outstanding as of September 30, 2007, and changes during the year then ended is as follows:

	Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance at October 1	18,253,990	$34.90		
Granted	—	—		
Exercised	(4,213,955)	31.83		
Forfeited, canceled or expired	(42,288)	39.70		
Balance at September 30	13,997,747	$35.81	4.75	$647,241
Vested and expected to vest at September 30	13,826,293	$35.68	4.73	$641,058
Exercisable at September 30	12,283,204	$34.39	4.49	$585,412

Cash received from the exercising of stock options in 2007, 2006 and 2005 was $134,133, $147,831 and $123,613, respectively. The actual tax benefit realized for tax deductions from stock option exercises totaled $59,491, $48,751 and $44,958, respectively. The total intrinsic value of stock options exercised during the years 2007, 2006 and 2005 was $187,537, $168,752 and $134,342, respectively.

Performance-Based Restricted Stock Units

Performance-based restricted stock units cliff vest three years after the date of grant. These units are tied to the Company's performance against pre-established targets, including its average growth rate of consolidated revenues and average return on invested capital, over a three-year performance period. Under the Company's long-term incentive program, the actual payout under these awards may vary from zero to 250% of an employee's target payout, based on the Company's actual performance over the three-year performance period. The fair value is based on the market price of the Company's stock on the date of grant. Compensation cost initially recognized assumes that the target payout level will be achieved and is adjusted for subsequent changes in the expected outcome of performance-related conditions.

A summary of performance-based restricted stock units outstanding as of September 30, 2007, and changes during the year then ended is as follows:

	Stock Units	Weighted Average Grant Date Fair Value
Balance at October 1	3,013,113	$54.62
Granted	1,210,648	71.72
Vested	(120,923)	39.71
Forfeited or canceled	(218,883)	57.84
Balance at September 30[A]	3,883,955	$60.23
Expected to vest at September 30[B]	1,954,149	$58.11

(A) Based on 250% of the target payout.

(B) Net of expected forfeited units and units in excess of the expected performance payout of 241,858 and 1,687,948, respectively.

The weighted average grant date fair value of performance-based restricted stock units granted during the years 2006 and 2005 was $59.16 and $54.41, respectively. At September 30, 2007, the weighted average remaining contractual term of performance-based restricted stock units is 1.10 years.

Time-Vested Restricted Stock Units

Time-vested restricted stock units generally cliff vest three years after the date of grant, except for certain key executives of the Company, including the executive officers, for which such units generally vest one year following the employee's retirement. The related share-based compensation expense is recorded over the requisite service period, which is the vesting period or in the case of certain key executives is based on retirement eligibility. The fair value of all time-vested restricted stock units is based on the market value of the Company's stock on the date of grant.

A summary of time-vested restricted stock units outstanding as of September 30, 2007, and changes during the year then ended is as follows:

	Stock Units	Weighted Average Grant Date Fair Value
Balance at October 1	1,166,718	$55.95
Granted	540,853	72.20
Vested	(42,944)	55.83
Forfeited or canceled	(46,545)	72.03
Balance at September 30	1,618,082	$61.11
Expected to vest at September 30	1,456,274	$61.11

The weighted average grant date fair value of time-vested restricted stock units granted during the years 2006 and 2005 was $59.62 and $54.48, respectively. At September 30, 2007, the weighted average remaining contractual term of the time-vested restricted stock units is 2.03 years.

The amount of unrecognized compensation expense for all non-vested share-based awards as of September 30, 2007, is approximately $108.4 million, which is expected to be recognized over a weighted-average remaining life of approximately 1.95 years. At September 30, 2007, 6,420,643 shares were authorized for future grants under the 2004 Plan.

The Company has a policy of satisfying share-based payments through either open market purchases or shares held in treasury. At September 30, 2007, the Company has sufficient shares held in treasury to satisfy these payments in 2008.

Other Stock Plans

The Company has a Stock Award Plan, which allows for grants of common shares to certain key employees. Distribution of 25% or more of each award is deferred until after retirement or involuntary termination, upon which the deferred portion of the award is distributable in five equal annual installments. The balance of the award is distributable over five years from the grant date, subject to certain conditions. In February 2004, this plan was terminated with respect to future grants upon the adoption of the 2004 Plan. At September 30, 2007 and 2006, awards for 214,206 and 270,762 shares, respectively, were outstanding.

The Company has a Restricted Stock Plan for Non-Employee Directors which reserves for issuance of 300,000 shares of the Company's common stock. No restricted shares were issued in 2007.

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, 2007, 117,044 shares were held in trust, of which 3,466 shares represented Directors' compensation in 2007, in accordance with the provisions of the plan. Under this plan, which is unfunded, directors have an unsecured contractual commitment from the Company.

The Company also has a Deferred Compensation Plan that allows certain highly-compensated employees, including executive officers, to defer salary, annual incentive awards and certain equity-based compensation. As of September 30, 2007, 265,846 shares were issuable under this plan.

14 Earnings per Share

The weighted average common shares used in the computations of basic and diluted earnings per share (shares in thousands) for the years ended September 30 were as follows:

	2007	2006	2005
Average common shares outstanding	**244,929**	247,067	251,429
Dilutive share equivalents from share-based plans	**9,881**	9,487	9,283
Average common and common equivalent shares outstanding–assuming dilution	**254,810**	256,554	260,712

15 Segment Data

The Company's organizational structure is based upon its three principal business segments: BD Medical ("Medical"), BD Diagnostics ("Diagnostics") and BD Biosciences ("Biosciences").

The principal product lines in the Medical segment include needles, syringes and intravenous catheters for medication delivery; prefilled IV flush syringes; syringes and pen needles for the self-injection of insulin and other drugs used in the treatment of diabetes; prefillable drug delivery devices provided to pharmaceutical companies and sold to end-users as drug/device combinations; surgical blades/scalpels and regional anesthesia needles and trays; critical care monitoring devices; ophthalmic surgical instruments; sharps disposal containers; and home healthcare products. The principal products and services in the Diagnostics segment include integrated systems for specimen collection; an extensive line of safety-engineered specimen blood collection products and systems; plated media; automated blood culturing systems; molecular testing systems for sexually transmitted diseases and healthcare-associated infections; microorganism identification and drug susceptibility systems; liquid-based cytology systems for cervical cancer screening; and rapid diagnostic assays. The principal product lines in the Biosciences segment include fluorescence activated cell sorters and analyzers; cell imaging systems; monoclonal antibodies and kits for performing cell analysis; reagent systems for life sciences research; tools to aid in drug discovery and growth of tissue and cells; cell culture media supplements for biopharmaceutical manufacturing; and diagnostic assays.

The Company evaluates performance of its business segments based upon operating income. Segment operating income represents revenues reduced by product costs and operating expenses.

Distribution of products is primarily through independent sales representatives, independent distribution channels, and directly to other end-users. Sales to a distributor that supplies products from the Medical and Diagnostics segments accounted for approximately 9% of revenues in 2007, and 11% of revenues in 2006 and 2005, respectively. No other customer accounted for 10% or more of revenues in any of the three years presented.

Revenues[A]	2007	2006	2005
Medical	**$3,420,670**	$3,106,646	$2,884,240
Diagnostics	**1,905,105**	1,715,090	1,632,260
Biosciences	**1,033,933**	916,281	824,333
	$6,359,708	$5,738,017	$5,340,833

Segment Operating Income			
Medical	**$ 971,990**	$ 864,180	$ 747,777
Diagnostics	**342,778[B]**	390,355[B]	403,420
Biosciences	**258,806[B]**	221,925	185,827
Total Segment Operating Income	**1,573,574**	1,476,460	1,337,024
Unallocated Expenses[C]	**(369,629)**	(350,558)	(299,495)
Income From Continuing Operations Before Income Taxes	**$1,203,945**	$1,125,902	$1,037,529

Segment Assets			
Medical	**$3,289,490**	$2,835,613	$2,656,320
Diagnostics	**1,843,654**	1,485,959	1,245,769
Biosciences	**817,000**	727,634	678,286
Total Segment Assets	**5,950,144**	5,049,206	4,580,375
Corporate and All Other[D]	**1,379,221**	1,775,319	1,552,418
	$7,329,365	$6,824,525	$6,132,793

Capital Expenditures			
Medical	**$ 352,696**	$ 268,669	$ 182,737
Diagnostics	**113,691**	104,815	99,742
Biosciences	**73,502**	38,952	22,218
Corporate and All Other	**16,505**	44,631	11,143
	$ 556,394	$ 457,067	$ 315,840

Depreciation and Amortization			
Medical	**$ 223,430**	$ 210,044	$ 197,998
Diagnostics	**138,936**	116,072	102,882
Biosciences	**68,889**	63,383	64,599
Corporate and All Other	**10,086**	12,833	17,190
	$ 441,341	$ 402,332	$ 382,669

(A) Intersegment revenues are not material.

(B) Includes the acquired in-process research and development charges in 2007 related to the TriPath and Plasso acquisitions, and in 2006 related to the GeneOhm acquisition, as discussed in Note 3.

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

(D) Includes cash and investments and corporate assets.

Revenues by Organizational Units	2007	2006	2005
BD Medical			
Medical Surgical Systems	**$1,864,080**	$1,748,743	$1,661,150
Diabetes Care	**695,981**	656,533	600,172
Pharmaceutical Systems	**791,900**	639,694	563,271
Ophthalmic Systems	**68,709**	61,676	59,647
	$3,420,670	$3,106,646	$2,884,240
BD Diagnostics			
Preanalytical Systems	**$1,006,692**	$ 927,759	$ 854,831
Diagnostic Systems	**898,413**	787,331	777,429
	$1,905,105	$1,715,090	$1,632,260
BD Biosciences			
Immunocytometry Systems	**$ 588,401**	$ 502,847	$ 452,383
Discovery Labware	**277,902**	256,085	231,365
Pharmingen	**167,630**	157,349	140,585
	$1,033,933	$ 916,281	$ 824,333
	$6,359,708	$5,738,017	$5,340,833

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), Europe, and Other, which is composed of 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.

	2007	2006	2005
Revenues			
United States	**$3,033,005**	$2,739,344	$2,521,672
Europe	**2,047,388**	1,762,782	1,670,963
Other	**1,279,315**	1,235,891	1,148,198
	$6,359,708	$5,738,017	$5,340,833
Long-Lived Assets			
United States	**$2,172,327**	$1,934,994	$1,687,808
Europe	**1,106,284**	893,495	823,694
Other	**646,188**	540,925	424,165
Corporate	**274,000**	269,858	221,812
	$4,198,799	$3,639,272	$3,157,479