2008 Annual Report

BD

Helping all people live healthy lives

BD is a leading global medical technology company that develops, manufactures and sells medical devices, instrument systems and reagents. The Company is dedicated to improving people's health throughout the world. BD is focused on improving drug delivery, enhancing the quality and speed of diagnosing infectious diseases and cancers, and advancing research, discovery and production of new drugs and vaccines. BD's capabilities are instrumental in combating many of the world's most pressing diseases. Founded in 1897 and headquartered in Franklin Lakes, New Jersey, BD employs approximately 28,000 people in approximately 50 countries throughout the world. The Company serves healthcare institutions, life science researchers, clinical laboratories, the pharmaceutical industry and the general public.
For more information, please visit www.bd.com.

Financial Highlights

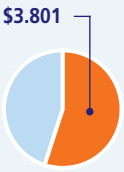
Thousands of dollars, except per share amounts	**2008**	2007	Change
Operating results			
Revenues	**$7,155,910**	$6,359,708	12.5%
Income from continuing operations	**$1,127,918**	$ 856,167	31.7%
Diluted earnings per share, from continuing operations	**4.46**	3.36	32.7%
Dividends per common share	**1.14**	.98	16.3%

At a Glance

BD derives more than half of its revenue from outside the United States. With operations around the globe, the Company possesses an in-depth understanding of the needs of local clinicians, researchers and patients. This enables BD to develop and adapt products to meet the unique requirements of the markets it serves.

BD Medical

Revenue
billions of dollars



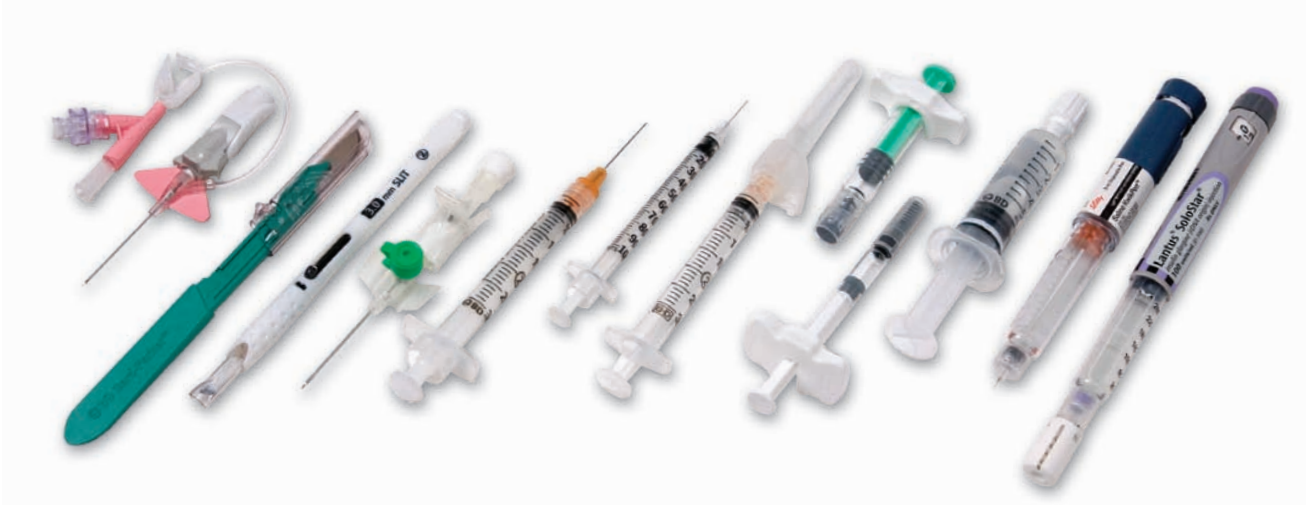
BD Medical is among the world's leading suppliers of medical devices and a leading innovator in injection- and infusion-based drug delivery since 1906, when the Company built the first-ever facility in the U.S. to manufacture needles and syringes. The BD Medical segment is focused on providing innovative solutions to reduce the spread of infection, enhance diabetes treatment, advance drug delivery and improve ophthalmic surgery outcomes.

Products and Services

- Needles and syringes
- Intravenous catheters
- Safety-engineered and auto-disable devices
- Prefillable drug delivery systems
- Prefilled IV flush syringes
- Syringes and pen needles for injection of insulin
- Regional anesthesia needles and trays
- Surgical blades and scalpels
- Ophthalmic surgical instruments
- Critical care monitoring devices
- Sharps disposal containers

Customers Served

- Hospitals and clinics
- Physicians' office practices
- Consumers and retail pharmacies
- Public health agencies
- Pharmaceutical companies
- Healthcare workers



BD Diagnostics

Revenue
billions of dollars

$2.160

BD Diagnostics is a leading provider of products for the safe collection and transport of diagnostics specimens, as well as instruments and reagent systems to accurately detect a broad range of infectious diseases, healthcare-associated infections (HAIs) and cancers. The BD Diagnostics segment focuses on improving health outcomes for patients and providing laboratories with solutions that improve quality, enhance laboratory system productivity, reduce costs and inform medical decisions.

Products and Services

- Integrated systems for specimen collection
- Safety-engineered blood collection products and systems
- Automated blood culturing systems
- Molecular testing systems for sexually transmitted diseases and HAIs
- Microorganism identification and drug susceptibility systems
- Liquid-based cytology systems for cervical cancer screening
- Rapid diagnostic assays
- Plated media

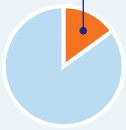
Customers Served

- Hospitals, laboratories and clinics
- Reference laboratories
- Blood banks
- Healthcare workers
- Public health agencies
- Physicians' office practices
- Industrial and food microbiology laboratories

BD Biosciences

Revenue
billions of dollars

$1.195



BD Biosciences is a world leader in bringing innovative diagnostic and research tools to life scientists, clinical researchers, laboratory professionals and clinicians who are involved in basic research, drug discovery and development, biopharmaceutical production and disease management. The BD Biosciences segment is focused on continually advancing the science and applications associated with cellular analysis and products that help grow living cells and tissue.

Products and Services

- Fluorescence-activated cell sorters and analyzers
- Monoclonal antibodies and kits for cell analysis
- Reagent systems for life science research
- Cell imaging systems
- Laboratory products for tissue culture and fluid handling
- Cell culture media supplements for biopharmaceutical manufacturing

Customers Served

- Research and clinical laboratories
- Academic and government institutions
- Pharmaceutical and biotechnology companies
- Hospitals
- Blood banks

Fiscal 2008 was a year in which our Company capitalized upon exciting opportunities and exceeded our operational and strategic goals for the eighth straight year.

We invested nearly $1 billion in new capital investments and R&D, and we returned over $700 million of cash flow to shareholders ($450 million in share repurchases and $279 million in dividends). In November 2008, our Board of Directors voted to increase the annual dividend by 15.8 percent to $1.32. This marks the 36th consecutive year of dividend increases for the Company.

We enter fiscal 2009 with a dedicated, enthusiastic senior executive team, and we are well prepared to continue our journey to greatness while pursuing our purpose of *"Helping all people live healthy lives."*

Our strategy is to serve the world's population as a global leader in developing and applying technologies to solve emerging, important, sometimes underappreciated and fundamental healthcare problems with discipline and committed service to our customers and shareholders. We do so by:

- Enabling the **discovery and development** of medical therapies, facilitating faster and more accurate **diagnosis** to accelerate and improve the treatment of disease, and providing unique and affordable devices to **deliver** drugs and vaccines in developed and developing markets;
- Leveraging and expanding our **deep expertise and distinctive capabilities** across our device and life science businesses; and,
- Building upon **trusted relationships** across the global healthcare community as a partner of choice to customers, governments, payors and other companies.

This strategy focuses on four specific areas of healthcare:

- **Reducing the spread of infection,** which includes healthcare worker safety and patient safety;
- **Advancing global health,** which includes HIV/AIDS, tuberculosis and safe immunization;
- **Enhancing therapy,** which includes research, production, drug delivery and companion diagnostics; and,
- **Improving disease management,** which includes cancer, diabetes, infectious diseases, and accurate and reproducible specimen management.

John R. Considine
Vice Chairman and
Chief Financial Officer

Edward J. Ludwig
Chairman, President and
Chief Executive Officer

Our strategy is designed to increase sustainable revenue growth through innovation. We will also continue to drive operating effectiveness and productivity. This, in turn, will enable us to increase our investments in innovation to further fuel our growth. This strategy rewards both customers and shareholders and furthers our goal of being a "great company" – one that achieves great performance for customers and shareholders, makes great contributions to society and is a great place to work.

In this report, you will read stories about how implementing our strategy is helping to meet healthcare needs across the healthcare continuum – and saving and improving lives worldwide – and at the same time creating lasting value for our shareholders.

Great performance

We are pleased to note that this year BD moved up 12 places on the *FORTUNE* 500 list to number 380 in revenue rank and 46 places to number 83 in Total Return to Investors (1997 – 2007).

Since October 1, 2008 – the beginning of our fiscal year 2009 – the economy has sharply declined. From October 1 through November 14, the S&P 500 Index declined 25 percent and the S&P Health Care Equipment Index declined nearly 24 percent, while BD's stock price declined 15.6 percent. However, when we look at investments in the healthcare sector generally and BD in particular over the long term, the returns are quite favorable. BD's results are very strong, as demonstrated in the chart below.

Our financial results confirm that our strategy is working. Company revenues of $7.2 billion represent an increase of 13 percent over fiscal 2007, which reflects an overall estimated 6 percent favorable impact from foreign currency translation that affected all segments. This year was not without its challenges, resulting primarily from increased costs of oil-based and other raw materials.

Segment results

BD Medical revenues rose by 11 percent over 2007 to $3.8 billion, which reflects an estimated 6 percent favorable impact from foreign currency translation. Key growth contributors included Pharmaceutical Systems and Diabetes Care products. Safety-engineered devices were again an important contributor, increasing by 10 percent globally, with an estimated 2 percent favorable impact from foreign currency translation.

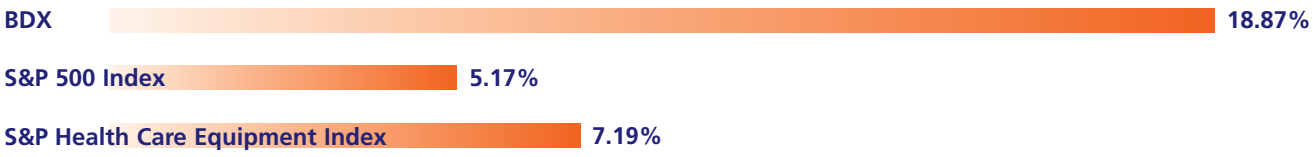
BD Diagnostics revenues rose by 13 percent over 2007 to $2.2 billion, which reflects an estimated 5 percent favorable impact from foreign currency translation. The Preanalytical Systems unit of the segment grew 12 percent to $1.1 billion, with an estimated 5 percent favorable impact from foreign currency translation. Global sales of safety-engineered products increased 14 percent, with an estimated 4 percent favorable impact from foreign currency translation, due, in large part, to strong sales of *BD Vacutainer* Push Button Blood Collection Sets. Revenues in the Diagnostic Systems unit increased 15 percent, with an estimated 4 percent favorable impact from foreign currency translation, and reflect growth from cancer diagnostics products and infectious disease testing systems.

BD Biosciences revenues rose by 16 percent over 2007 to $1.2 billion, which reflects an estimated 6 percent favorable impact from foreign currency translation. The Cell Analysis unit of the segment grew 19 percent, with an estimated 6 percent favorable impact from foreign currency translation. Sales of the *BD FACSCanto* II (clinical analyzer) and *BD FACSAria* II (research sorter) and clinical reagents significantly contributed to overall Cell Analysis growth.

Our strategy is to serve the world's population as a global leader in developing and applying technologies to solve fundamental healthcare problems with discipline and committed service to our customers and shareholders.

Total Shareholder Return

5-Year Compounded Annual Growth Rate (CAGR) 9/30/03 - 9/30/08*



* *Source: Standard & Poor's*

Corporate social responsibility

We have successfully driven our performance for the benefit of our shareholders while, at the same time, fulfilling our commitments to the broader communities in which we live and work.

In recognition of our contributions and social responsibility, BD was selected for the third consecutive year as a member of the Dow Jones Sustainability World Index – perhaps the premier recognition for companies in the area of sustainability and corporate social responsibility. BD was also selected for the fourth consecutive year as a member of the Dow Jones Sustainability North America Index. For the second consecutive year, BD was named one of the "World's Most Ethical Companies" by *Ethisphere* magazine – the only medical technology company selected.

Strengthening capabilities

BD strives to be a great place to work and to recruit, develop and retain the best talent. Our leadership development process assesses talent, strengthens succession planning and further develops managers and emerging leaders.

After the close of fiscal 2008, we announced two significant executive appointments. First, we announced the promotion of Vincent A. Forlenza to the position of President, effective January 1, 2009. Vince has experience in all three of BD's business segments, including leading BD Biosciences and BD Diagnostics, and his management of our technology and planning capabilities will provide a good foundation for his new position. We and the BD Board are confident that Vince has the ideal blend of experience and vision to play an even greater role in achieving our strategic goals.

Additionally, David Elkins became our new Executive Vice President and Chief Financial Officer, effective December 1, 2008. He is succeeding John Considine, who will continue to serve as Vice Chairman in an executive officer capacity. David joined us from AstraZeneca, where he most recently served as

Office of the Chief Executive Officer

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

CFO of its $13 billion North American pharmaceutical business.

Closing reflections

These are challenging times indeed. The global economy is in the midst of a slowdown resulting from the credit crisis and, while we cannot predict the length or severity of this slowdown, we can say this:

- Together with our Board, we have reviewed our financial position and credit market exposures, and we believe we are well prepared for these economic times. Our balance sheet is strong, our cash flow is healthy and we see little risk to our ability to fund our operations or plan for future growth; and,
- We will continue to respond to the current economic conditions with the same commitment, responsibility, prudence and transparency that have characterized the management of our business for many years.

To be sure, few, if any, industries will be immune from the current economic difficulties. However, whatever the challenges, we are confident that, through discipline and hard work, BD will emerge even stronger while continuing to reward our shareholders and delight our customers, undeterred in our purpose of "*Helping all people live healthy lives.*"

In closing, we would like to take this opportunity to again thank our more than 28,000 dedicated, talented BD associates who come to work each day committed to our shareholders and eager to help all people live healthy lives!

Edward J. Ludwig
Chairman, President and
Chief Executive Officer

John R. Considine
Vice Chairman and
Chief Financial Officer

Development Committee

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

Lending a ***Helping Hand***

To further our purpose of ***"Helping all people live healthy lives,"*** we actively look for opportunities to lend an experienced hand and our resources to meet healthcare needs around the world…

BD

Helping all people live healthy lives

Expertise in Action

Ghana – Improving Access to Lab Services

BD's longstanding collaboration with Direct Relief International grew stronger in 2008 when a team of 13 BD associates again traveled to Ghana for three weeks to help improve Ghana's access to clinical and laboratory health services. Our volunteers helped establish a blood banking system, conducted training sessions for obstetric care, infection control and healthcare worker safety, and helped improve clinic administration procedures. BD associates also helped deliver and install the HydrAid™ BioSand Water Filters contributed by International Aid. These cost-effective filters produce clean water where it is scarce. This marked the fourth Company-sponsored volunteer service trip to Africa.

Uganda – Strengthening Laboratory Systems

BD continued its collaboration, begun in late 2007, with the U.S. President's Emergency Plan for AIDS Relief (PEPFAR) to improve laboratory systems and services in African countries severely affected by HIV/AIDS and tuberculosis (TB). BD and PEPFAR are working with country ministries of health, the U.S. Centers for Disease Control and Prevention, and implementing partners in African countries to expand high-quality laboratory services based on each country's National Laboratory Strategic Plan.

Under the collaboration, BD contributes associates' expertise and donates cash to PEPFAR-affiliated non-governmental organizations. In 2008, BD deployed nine associates to Uganda to train workers and offer technical assistance for 79 labs. While helping raise the quality standards of diagnostics in those labs, associates also helped implement a TB specimen referral program to expand the reach of liquid culture testing by connecting local sites to centralized testing locations. Over the next few years, BD will deploy 50 to 60 associates to provide additional support.

BD also continued to provide cash support in 2008 for the Accordia Global Health Foundation's Laboratory Training Program at Makerere University's Infectious Diseases Institute in Kampala, Uganda. To date, the program has increased the laboratory testing skills of more than 100 African technicians.

Photo courtesy of Nancy Farese, Accordia Global Health Foundation

Social Investing

India and Mexico – Improving Healthcare Access

Since 1986, AmeriCares has distributed more than $19 million worth of donated BD products to 93 countries. By increasing healthcare access to the poverty stricken, AmeriCares helps save lives, reduce suffering and restore health. In 2008, BD in India supported AmeriCares' response to the Myanmar cyclone, delivering an emergency shipment of 20,000 IV infusion sets and injectable medicines to re-supply hospitals. In 2008 and 2009, BD in Mexico is donating *BD Eclipse* Syringes valued at $2.3 million through AmeriCares to resource-poor healthcare facilities globally.

Photo courtesy of AmeriCares

Sub-Saharan Africa – Strengthening Health Systems

In 2008, BD announced a three-year collaboration valued at $1.25 million with the International Council of Nurses (ICN) and PEPFAR to establish a Wellness Center for Health Care Workers® in Uganda and strengthen existing Centers in Swaziland, Lesotho and Zambia. BD committed to donating $250,000 as well as needed training and consulting services. The collaboration aims to address the region's severe health worker shortage by offering care and support services for health workers and their families. In turn, they can better care for their patients and communities.

Photo courtesy of the International Council of Nurses

China – Providing Disaster Relief

Photos courtesy of AmeriCares

The 2008 earthquake in western China touched BD associates around the globe. On the scene, more than 400 of our associates spent countless hours helping with rescue operations and volunteering in healthcare facilities. In addition to BD cash donations to the American Red Cross, AmeriCares, Heart to Heart International, Save the Children and the U.S. Fund for UNICEF, BD associates from China, South Korea and the United States raised more than $105,000 for the relief efforts. BD in China also donated syringes, alcohol swabs, IV catheters and blood collection sets to aid relief efforts.

India – Improving Diabetes Care

BD has allocated $1 million over four years to help fund Project HOPE's India Diabetes Educator Project that addresses the country's growing diabetes epidemic by providing education and training to healthcare professionals.

Community Involvement

New Jersey – Helping the Less Fortunate

Eva's Village is a social service agency in Paterson, New Jersey, with a mission to feed the hungry, shelter the homeless, treat the addicted and provide medical care to the poor. Eva's Village recently renovated an old building into a housing and rehabilitation facility for single mothers and their children. BD funded a bedroom in the facility and matched donations raised by our associates, who also helped furnish the room with decorations to make it more comfortable.

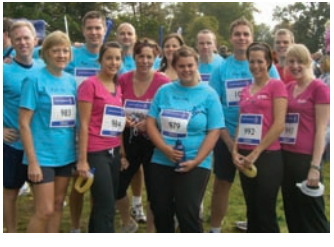
Photo courtesy of Eva's Village

Spain – Lifting the Spirits of Young Cancer Patients

BD associates in Spain donated $15,500 to support summer camps for children with cancer, organized by the local cancer foundation in Lerida, Spain. Located in Spain's Catalonia region, the summer camps are designed to host more than 100 children, aged six to 15, affected by cancer.

UK – Supporting Cancer Research

A group of BD associates in Oxford participated in a 10K charity run, raising £1,120 for cancer research. With 285,000 new cases of cancer diagnosed each year in the UK, the donation will go toward helping researchers identify ways to better understand, prevent, diagnose and treat malignancies.



California – Raising Awareness of Blood Cancers

Our associates in San Jose, California, raised more than $53,000, including Company match, in two months for The Leukemia & Lymphoma Society's® Light The Night® Walk, a two-mile walk held throughout North America to raise funds for lifesaving blood cancer research. A group of 90 BD associates, family members and friends participated. Associates also raised money through bake sales, a farmer's market and a craft fair.

Puerto Rico – Helping Senior Citizens

Continuing a holiday tradition, BD associates in Cayey, Puerto Rico, visited seniors at a local care facility, to deliver gift baskets and a new television, and share traditional holiday songs with the residents.

Environmental Stewardship

BD in Utah Uses Only Renewable Energy

As of October 1, 2008, renewable energy constitutes 100 percent of the electricity used at BD's facility in Sandy, Utah. Our renewable energy purchase from Rocky Mountain Power's Blue Sky program will eliminate approximately 37,060 tons of carbon dioxide emissions each year, providing annual environmental benefits equivalent to driving 79.4 million fewer miles or planting 14,558 acres of trees. The Sandy facility has been a Blue Sky business partner since June 2007.

BD in Plymouth Earns UK Environmental Award

The BD manufacturing facility in Plymouth, UK, received the Devon Environmental Business Initiative Low Carbon Award for reducing its carbon footprint. Over 12 months, the site cut carbon emissions by 1,345 tons through energy conservation efforts and now expects up to a five percent reduction next year and another two percent each year thereafter.

BD Training Center Meets LEED Criteria

BD's new 81,500-square-foot office building and customer training facility in San Jose, California, was designed and engineered to meet U.S. Green Building Council criteria for Leadership in Energy and Environmental Design (LEED) certification – the nationally accepted benchmark for the design, construction and operation of high-performance green buildings. The BD Biosciences facility surpasses California energy efficiency standards by more than 15 percent and currently awaits LEED certification.

Meeting important, underappreciated healthcare needs

Bringing research tools, diagnostics and drug delivery systems to scientists, clinicians and patients in need is a huge challenge. BD addresses this challenge head-on by applying technologies and expertise to solve problems at critical stops along the healthcare continuum. In doing so, the Company stays focused on fulfilling its corporate purpose and passion: *"Helping all people live healthy lives."*

Discovery and Development

Strengthening basic and pharmaceutical research with state-of-the-art tools and analytical technologies to bolster scientific understanding.

Diagnosis

Improving the quality of *in vitro* diagnostic testing with innovative sample collection products and enhancing the detection, diagnosis and management of infectious disease, healthcare-associated infections and cancer through advanced diagnostic platforms and assays.

Delivery

Helping ensure the safe and effective delivery of medicines and vaccines through unique and affordable drug delivery systems in both developed and developing markets.

Discovery and Development –

Strengthening basic and pharmaceutical research

Exciting advances in biomedical science – driven by understanding of the human genome and cell biology – are leading to unprecedented changes and opportunities for life scientists from government and academic laboratories to pharmaceutical and biotechnology companies.

Translating this knowledge into future therapies, however, will be tied in large part to the availability of new analytical technologies and bioprocessing tools. BD helps improve the efficiency and quality of life science research by offering a powerful and growing portfolio of tools that focuses on cell analysis in the "age of biology."

Transforming cellular analysis

BD is a pioneer and leader in the field of flow cytometry for cellular analysis. The Company's instrument portfolio includes the *BD FACSAria* II System, the platform of choice in research labs around the world performing a broad range of cell sorting applications.

To meet the specific needs of today's life science researchers working with advanced applications, BD now offers the *BD Influx* Cell Sorter, which became part of BD's product portfolio through the 2008 acquisition of Cytopeia. An open, configurable cell-sorting platform that can be optimized for research, application and environmental requirements, the *BD Influx* System is especially suited for bioprocessing, cell therapy research, marine biology and stem cell research.

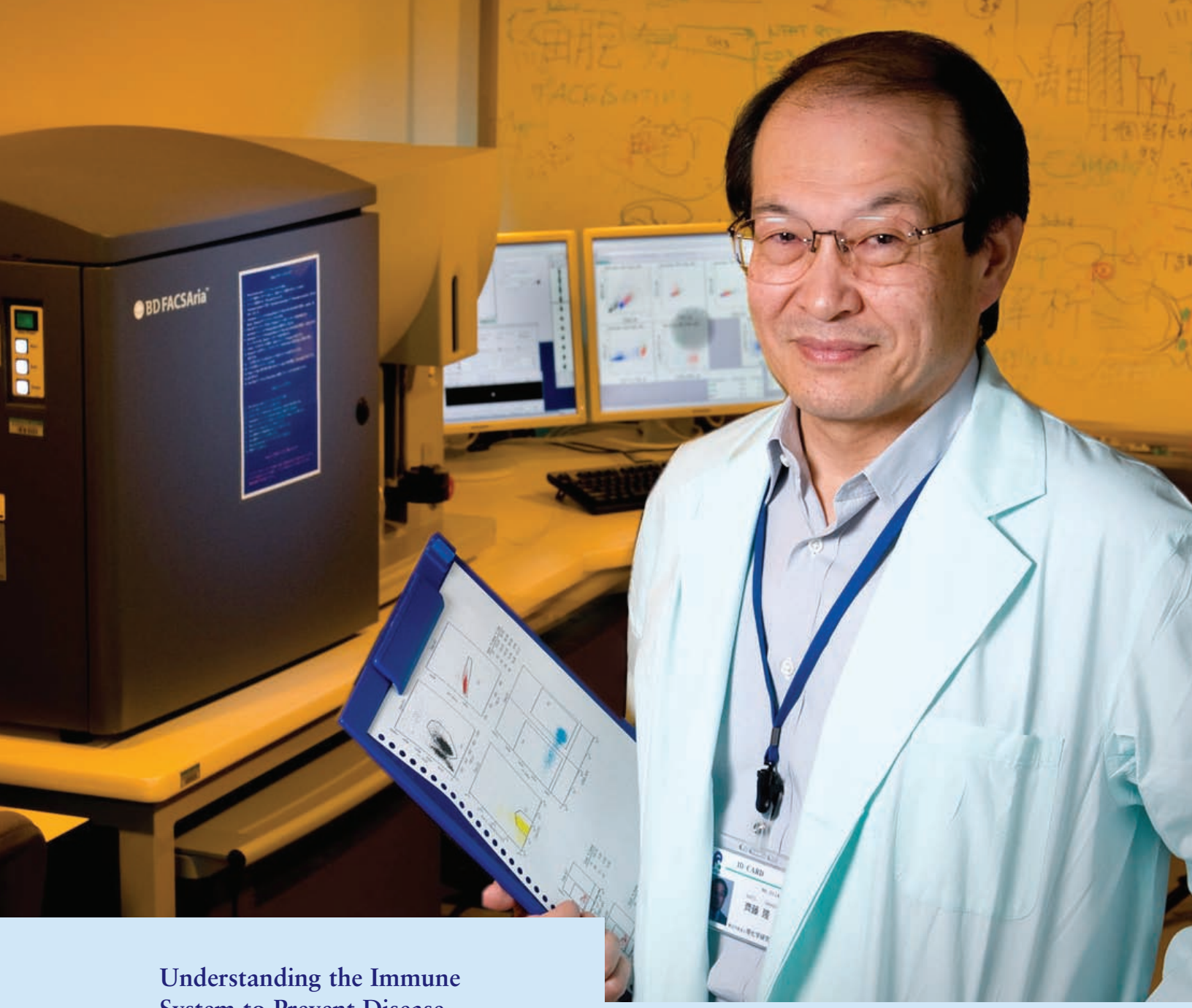
Flow cytometry is a powerful platform and an important tool in stem cell research. BD's expertise in hematopoietic stem cell research is driving ongoing development of other tools that optimize workflow, standardize procedures and streamline experiments. This expanding portfolio of state-of-the-art research instruments and tools reflects BD's position as a world leader in applying innovative tools and expertise to solve complex research problems. These solutions may ultimately help life scientists discover new lifesaving and life-improving therapies.

Advancing research efficiency

The high cost of drugs – a key issue for patients and entire economies – can be attributed to a big increase in R&D and clinical trials costs.

The *BD FACSAria* II Cell Sorting System, launched in 2008, is the next-generation high-performance cell sorter with improvements that make cell sorting easier and more accessible to life science researchers working across a wide range of advanced applications.

The *BD Influx* Flow Cytometry System offers leading-edge life science researchers a configurable platform that can be optimized to meet their unique application-specific requirements in such diverse areas as stem cell research, cell therapy research, drug discovery and marine biology.



Understanding the Immune System to Prevent Disease

Better understanding the mechanism to trigger an immune response could help scientists prevent or control many deadly or debilitating diseases – from AIDS to rheumatoid arthritis to allergy.

The RIKEN Research Center for Allergy and Immunology is the only government-supported institute for immunology and allergy in Japan and one of only a few in the world. The Center's Laboratory for Cell Signaling studies the function and formation of T cells and signal regulation, which play a central role in cell-mediated immunity.

Since the human immune system uses T cells to recognize and defend against external pathogens, the laboratory utilizes flow cytometry systems, such as the *BD FACSAria* Cell Sorter, for many applications. Monitoring various types and stages of T cells is one important application. Another is following the expression of a specific cloned gene. Insights derived from this work not only help RIKEN scientists understand the immune system, but they may also lead to new lifesaving therapies.

"In our flow cytometry laboratory, we work closely with BD engineers to make sure all cell sorters and analyzers are working optimally," says the laboratory's group director Dr. Takashi Saito. "We have also worked with BD to test and develop new technologies."

BD provides a growing portfolio of reagents for cellular characterization and sorting that, when coupled with BD's advanced flow cytometry platforms, helps improve the efficiency and productivity of drug and vaccine research and development.

A case in point is *BD Phosflow* Reagents, used by scientists to understand and analyze how a particular drug under development can lessen the effects of disease by inhibiting critical cell signaling pathways. With *BD Phosflow* Reagents, scientists can analyze the phosphorylation state of multiple proteins in a single cell to help enhance the discovery of new pharmaceutical therapies.

BD is also expanding its line of drug metabolism and toxicity assays for pharmaceutical, biotechnology and contract research organizations. The Company's high-quality tests quickly help researchers determine the risks of potential drugs long before they reach patients.

An important part of cellular research is creating a laboratory environment for cells to grow that more closely resembles the one they encounter inside the body. BD serves as a premium supplier of advanced cell surfaces and coatings. Through acquisitions and internal development, BD has expanded its portfolio and strengthened its position as a leading provider of defined surfaces used in drug discovery, academic research and cell therapy development.

Enhancing production of biological medicines

Beyond the research lab, makers of biopharmaceuticals, bioengineered vaccines and stem cell therapies struggle to produce new medicines efficiently. BD helps customers meet this challenge by increasing their production yields with safer cell culture products and services. In fact, cell culture media supplements from BD's Advanced Bioprocessing product platform are currently used in the manufacture of more than 30 marketed biological medicines.

To help further enhance the safety of biological medicines, BD plans to manufacture cell culture media supplements in a state-of-the-art, dedicated animal-free/antibiotic-free facility in Miami, Florida. This new *AF*^{2} Facility also will expand the Company's product portfolio to include chemically defined basal cell culture media. As a result, BD will offer customers a complete solution: yield-enhancing, fully supplemented, easy-to-use cell culture media that meet or exceed current regulatory requirements.

BD's Advanced Bioprocessing cell culture media products are currently used to enhance the production of biopharmaceuticals, cell therapy products and bioengineered vaccines.

BD helps improve the efficiency and quality of life science research by offering a powerful and growing portfolio of tools that focuses on cell analysis in the "age of biology."

BD produces hundreds of custom flow cytometry instruments, such as the *BD LSR* II System, which are uniquely configured to meet customer requirements via the BD Special Order Research Products program.

BD Recognized for Value Creation, Ethics and Sustainability

BD's reputation continues to grow in the corporate community, medical technology industry and global health arena for creating sustainable value for stakeholders as well as for providing leadership, resources and expertise to meet social and healthcare challenges around the world. Following are several examples of corporate honors and recognitions that BD received in fiscal year 2008.

Dow Jones Sustainability World Index

Dow Jones Sustainability Indexes
Member 2008/09

BD was selected for the third consecutive year as a component of the Dow Jones Sustainability World Index, widely considered the premier socially responsible investing index. BD's inclusion was based on an annual evaluation of sustainability leadership across the world. The assessment examined corporate economic, environmental and social performance, with a strong focus on long-term shareholder value. Selection as a component of the index puts BD in the top 10 percent of healthcare sector companies in terms of sustainability leadership. BD also remained on the Dow Jones Sustainability North America Index for the fourth consecutive year.

FTSE4Good

FTSE4Good

Since 2003, BD has been listed as a member of FTSE4Good, a UK-based index series that measures the performance of companies against globally recognized corporate responsibility standards. Areas of evaluation include environmental sustainability, stakeholder relationships, human rights, supply chain labor standards and anti-bribery activities. Each year, a committee of independent practitioners in socially responsible investing and corporate social responsibility reviews the indices to ensure they accurately reflect current best practices.

World's Most Ethical Companies

For the second consecutive year, BD was named one of the "World's Most Ethical Companies" by *Ethisphere* magazine, which analyzed more than 10,000 companies to determine the 100 finalists. All companies were measured against seven categories: corporate citizenship and responsibility; corporate governance; innovation that contributes to public well-being; executive leadership and tone; industry leadership; legal, regulatory and reputation track record; and internal systems and ethics/compliance programs.

2008 WORLD'S MOST ETHICAL COMPANIES
WWW.ETHISPHERE.COM

FORTUNE's "America's Most Admired Companies®"

BD was again named one of "America's Most Admired Companies" by *FORTUNE* magazine, ranking fourth in the Medical Products and Equipment category. This year, the Medical Products and Equipment category expanded to include Precision Equipment, adding more companies to the comparison group than in previous years. In key attributes of reputation, BD ranked among the top three in social responsibility, quality of management, use of corporate assets and long-term investment.

On the Front Lines of Ovarian Cancer Screening

Nearly 200,000 women worldwide are diagnosed with ovarian cancer each year; most will die from the disease. Detecting ovarian cancer has been difficult because affected women often have no symptoms or vague symptoms and seek medical care only after the disease has reached an advanced stage.

For more than 20 years, the Ovarian Cancer Screening Centre, part of the Institute for Women's Health, University College London, has conducted research to improve outcomes, including the development of new biomarkers for early detection, diagnosis and identification of inherited genetic alterations that can predict which women are at risk.

"We have an exciting opportunity to evaluate biomarker assays developed by BD to advance early detection, using our sample banks and clinical research facilities," says Professor Ian Jacobs, who directs the Institute and the Centre. "This collaboration has great potential to speed up the translation of research ideas into clinical practice, which is a key goal of our work."

Dr. Jacobs expects that within 10 years, ovarian cancer screenings will be standard care, like breast and cervical cancer screenings today. "I think we'll use a panel of circulating biomarkers of the type that we're working on with BD, along with ultrasound and other new sophisticated imaging techniques."

Diagnosis –

Enhancing care through improved detection and management of disease

Early and accurate diagnosis of disease is essential to high-quality, cost-effective patient care. As a pioneer and leader in sample collection, microbiology and flow cytometry, BD has long provided innovative technologies and solutions to help clinicians detect, diagnose and monitor a host of infections and infectious diseases, such as HIV/AIDS, tuberculosis (TB) and sexually transmitted diseases. Through internal development, strategic acquisitions and collaborations, BD has increased its value to clinical laboratories worldwide by providing new technologies to improve the detection of cancer and molecular assays that rapidly detect potentially lethal "superbugs," such as methicillin-resistant *Staphylococcus aureus* (MRSA).

The *BD FACSCount* System provides clinicians in the developing world with a workhorse flow cytometer capable of performing both absolute and percentage CD4 counts to monitor the immune status and disease progression of HIV-infected patients.

Safe sample collection

Achieving an accurate diagnosis first depends on safe and stable specimen collection. Since launching the first evacuated blood collection tube in 1949, BD has developed a full portfolio of sample collection products that includes the *BD Vacutainer* Push Button Blood Collection Set. This innovative product not only makes blood collection easier, it also helps reduce healthcare worker exposure to needlesticks.

Reducing the spread of infection

Leveraging the Company's expertise in microbiology and molecular diagnostics, BD has built and acquired capabilities to address the growing problem of healthcare-associated infections (HAIs) caused by increasingly drug-resistant bacteria. These infections pose a serious threat to patients in the very places they go for medical care. BD now offers a growing portfolio of diagnostic technologies that help infection control specialists prevent and manage the spread of HAIs. These products range from *BD BBL CHROMagar* MRSA Plated Media to molecular tests that provide results in less than two hours, such as the *BD GeneOhm* MRSA Assay.

In 2008, the Company expanded its menu of *BD GeneOhm* assays to test for HAI-causing organisms. BD achieved CE marking in Europe this year for a rapid molecular assay to detect toxigenic *Clostridium difficile*, a dangerous bacterium that can infect the colon.

The *BD Viper* Molecular Testing System utilizes state-of-the-art robotic automation to help clinical laboratories detect *Chlamydia trachomatis* and *Neisseria gonorrhoeae* in patient samples more rapidly.

A definitive diagnosis of this potentially life-threatening infection enables clinicians to prescribe appropriate treatment to patients and reduce the risk of spreading the infection to others.

Improving global health

Infectious diseases take a staggering human and economic toll, especially in the developing world. With diagnostics and medical treatment difficult to come by, millions of people with HIV/AIDS and TB are not receiving the care they need when they need it. BD is applying its expertise and innovative technologies to address this crisis in many regions around the globe, including Africa, China, India, Eastern Europe and Latin America.

The World Health Organization (WHO) estimates that 9 million new cases of active TB and approximately 2 million TB deaths occur annually. The *BD BACTEC MGIT* 960 System is the test of choice in many developing countries because it is the only automated liquid culture system for high-volume mycobacterial growth and detection as well as drug susceptibility testing. It provides faster results that may help improve patient care. In fact, the WHO recently endorsed the use of liquid culture systems for TB diagnosis in high-burden countries.

Enhancing cancer detection and diagnosis

Results in the fight against cancer have been mixed. On the one hand, expensive new therapies often prove to prolong survival by months, not years. On the other, five-year survival rates improve dramatically for most cancers detected in Stages I and II. This reality places an even greater importance on developing new assays that detect and diagnose cancer earlier. Hence, BD is actively expanding its offerings and capabilities in these areas for detecting and diagnosing solid tumors as well as leukemias and lymphomas.

Cervical cancer claims the lives of more than 300,000 women globally every year, and more than 470,000 women are diagnosed annually. BD earned U.S. FDA approval in 2008 for the new *BD FocalPoint* GS Imaging System, which offers significant improvements in both disease detection and lab productivity to locate abnormal, often precancerous, cervical cells quickly.

BD is also developing proprietary biomarkers to enhance the early detection of cervical, ovarian and breast cancers. The Company aims to provide advanced oncology products that will enable biomarker-guided diagnoses to drive better clinical decisions that could enable better patient outcomes.

The *BD BACTEC* FX Blood Culture Instrument, launched in 2008, helps detect bloodstream infections and enhances clinical decision-making and laboratory workflow by markedly improving blood culturing practices with real-time, 24/7, remotely accessible, actionable results that can enhance patient care.

The *BD Vacutainer* Push Button Blood Collection Set is the latest in safety-engineered wingsets that offer healthcare workers in-vein activation and split-second protection at the push of a button.

Expanding Manufacturing Capacity to Meet Demand

BD made strategic investments in 2008 to increase manufacturing capacity to help meet growing worldwide demand for its innovative technologies and products. Below are just a few examples of expansion projects BD undertook or completed this year. Each demonstrates the Company's commitment to providing customers with high-quality products that enhance the discovery and development of new medicines, the detection and diagnosis of infections and disease, and the safe and effective delivery of medicines.

New facilities in Canada, Florida and Hungary reflect BD's commitment to meet the need for innovative, high-quality products in the discovery and development, diagnosis and delivery phases of the healthcare continuum.

Miami, Florida – Enabling discovery and development

BD announced plans to open a dedicated animal-free/antibiotic-free *AF*^{2} Facility for the production of cell culture media and supplements by late 2009. This new $53 million facility will serve the needs of pharmaceutical and biotechnology companies that require high-performance cell culture media products for the production of biological medicines, vaccines and stem cell therapies. With stringent raw materials controls and product segregation that are designed to eliminate the risk of contamination associated with cell culture media from facilities using animal-origin components, the *AF*^{2} Facility will set a new standard for safety and quality.

Québec, Canada – Improving detection and diagnosis

BD opened a new $34 million manufacturing facility in Québec to help meet anticipated global demand for *BD GeneOhm* molecular assays. The *BD GeneOhm* MRSA Assay – now used in more than 400 hospitals in the U.S., Canada, Europe and Asia-Pacific – is the primary product manufactured in this facility. In addition, the Québec facility is currently producing *BD GeneOhm* assays for the detection of methicillin-sensitive *Staphylococcus aureus*, vancomycin-resistant enterococci, *Clostridium difficile* and Group B streptococci.

Tatabánya, Hungary – Enhancing drug delivery

BD announced a €100 million capital investment project to build a state-of-the-art prefillable syringe manufacturing facility in Tatabánya, Hungary, which is expected to open in 2010. The new high-volume manufacturing facility will help BD meet the growing worldwide demand for prefillable syringes that are sold to pharmaceutical companies. The prefilled syringe format has been found to reduce the potential for medication error and contamination.

Delivery –

Designing devices for safe and effective injections and infusions

The need to diagnose and treat patients quickly and effectively in hospitals and clinics is matched by the need to deliver those treatments with minimal risks to both patients and healthcare providers. BD offers a comprehensive line of innovative injection and infusion devices that effectively deliver lifesaving therapies and vaccines, while reducing the risk of needlestick injury or other incidents that may spread infection.

Reducing the spread of infection

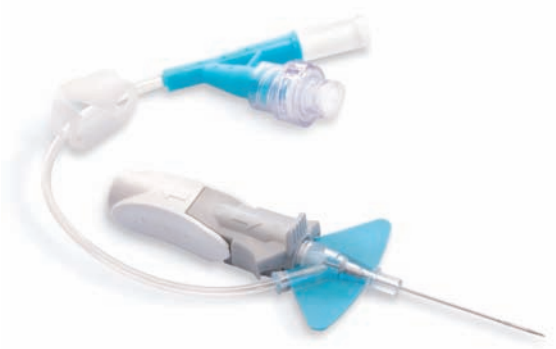
Needlestick injuries, which expose healthcare workers to such dangerous pathogens as hepatitis C and HIV, are a serious occupational hazard. For two decades, BD has been a pioneer and world leader in developing advanced safety-engineered delivery systems designed to protect healthcare workers and patients from exposures to bloodborne pathogens.

One of BD's innovative solutions is the *BD Nexiva* Closed IV Catheter System. This simple, all-in-one product is designed to increase first-stick success and reduce blood exposure to clinicians through its innovative blood containment system. This product is often coupled with the *BD Q-Syte* Luer Access Split-Septum Device, which helps reduce the risk of catheter-related bloodstream infections (CRBSIs). Studies indicate that split-septum needleless access systems have 64 percent to 70 percent lower CRBSI rates than mechanical valves.

The Company also developed the *BD Venflon Pro* Safety IV Catheter for the clinical environment in Europe. Its unique features are designed to help protect healthcare workers from needlestick injuries and blood splatter that can occur during the IV cannulation process. Such safety-engineered products are needed in healthcare institutions across Europe, where an estimated 1 million needlesticks occur every year.

Delivering medicines more effectively

In demanding clinical environments, it is critical to minimize the risk of medical errors, preserve the supply of vaccines and medicines, and reduce the time it takes to prepare treatments. When compared with single- and multi-dose vials, prefilled syringes address these concerns for the benefit of both patients and providers.



The *BD Nexiva* Closed IV Catheter System – which includes the *BD Q-Syte* Luer Access Split-Septum Device – is designed to address catheter-related bloodstream infections and reduce blood exposure to the clinician as well as protect against needlestick injuries.

To meet the unique needs of European clinicians, the *BD Venflon Pro* Safety Catheter was designed to provide both enhanced protection against needlesticks and reduced blood exposure.

Getting to Zero: Catheter-related Bloodstream Infections in the ICU

Clinicians at Jennie Edmundson Hospital (JEH) in Council Bluffs, Iowa, sought ways to reduce catheter-related bloodstream infections (CRBSIs) in its 13-bed Intensive Care Unit (ICU). CRBSIs are potentially fatal, especially for critically ill ICU patients, and they can dramatically increase healthcare costs. The Centers for Medicare and Medicaid Services estimates that a vascular catheter-associated infection can increase the cost of a hospital stay by more than $100,000 per patient.

Kari Love, RN, Clinical Quality Specialist in Infection Prevention at JEH, studied the impact of switching to the simple *BD Q-Syte* Luer Access Split-Septum Devices from complex mechanical valves, which can harbor bacteria that pose a risk to patients receiving intravenous therapy.

For the 10 months prior to the switch, the facility's average infection rate was slightly more than three per month – lower than the national benchmark, but still unacceptable to JEH. Using *BD Q-Syte* Devices, Love reduced the infection rate to zero throughout the eight-month period studied.

According to Love, "With the increasing prevalence of drug-resistant infections, it is encouraging to find simple ways to reduce risks to patients."

Love and her study team continue to evaluate the impact of using *BD Q-Syte* Devices in other units, with the ultimate goal of eliminating CRBSIs throughout the hospital.

BD remains at the forefront of injection technology with such products as *BD Hypak SCF* Glass Prefillable Syringes, a complete drug delivery system that may reduce the risk of medication errors and contamination that can occur during the traditional vial-to-syringe filling process.

BD has developed the novel *BD Soluvia* Prefillable Microinjection System. While most vaccines are injected into the muscle, this system uses innovative BD micro-delivery technology to deliver vaccines intradermally – within the dermal layer of the skin, which may enable the vaccine to enter the immune system more efficiently.

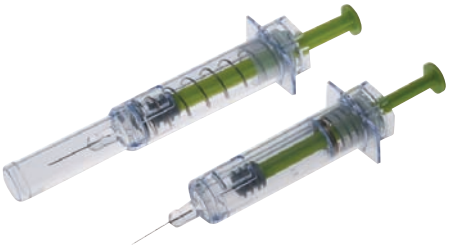
In clinical trials on more than 7,000 subjects, intradermal delivery of the influenza vaccine provided an improved immune response in the elderly. In other trials, the *BD Soluvia* System demonstrated that injections to the dermal layer worked effectively regardless of the subject's gender, age, ethnicity and body mass.

Leading the way in global immunizations

BD continues to play a leading role in global immunization efforts. For decades, the Company has collaborated with governments, health agencies and non-governmental organizations to achieve cost-effective and safe immunization of children in developing countries. In fact, more than 6 billion safe immunizations have been administered worldwide using the Company's low-cost, auto-disable devices, such as *BD SoloShot* Syringes.

For curative or therapeutic injection applications, *BD SoloMed* Syringes were recently introduced to reduce the incidence of intentional syringe reuse and provide protection against needlesticks in emerging and developing countries. This low-cost injection device employs a needle safety shield to help protect healthcare workers. It also features a plunger that is easily disabled after one injection, preventing the syringe from being reused.

The *BD Uniject* Prefillable, Auto-disable Injection System is designed to prevent reuse and eliminate the need for filling syringes from vials. Its innovative design is particularly suited for administering injections in remote settings in the developing world. Through a Program for Appropriate Technology in Health (PATH) project funded by USAID, the *BD Uniject* System has been approved in Latin America for use with oxytocin, a drug used to prevent post-partum hemorrhage. It also has been utilized for tetanus toxoid vaccinations in Africa.



BD Hypak SCF Glass Prefillable Syringes are the worldwide standard, offering pharmaceutical companies and clinicians a drug delivery system that may improve dosing accuracy and helps reduce the risk of medication errors.

BD offers a comprehensive line of innovative injection and infusion devices that effectively deliver lifesaving therapies and vaccines, while reducing the risk of incidents that may spread infection.

BD SoloMed Reuse Prevention Syringes are designed to meet the needs of healthcare workers in emerging and developing countries by employing safety features to help reduce needlesticks and syringe reuse.

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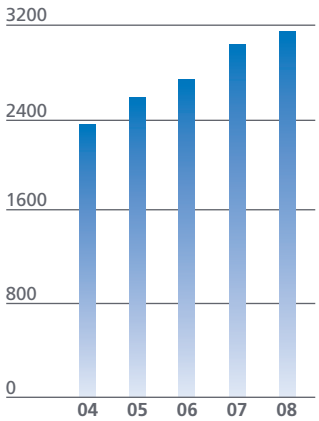
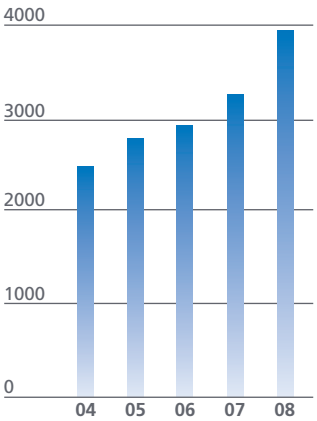
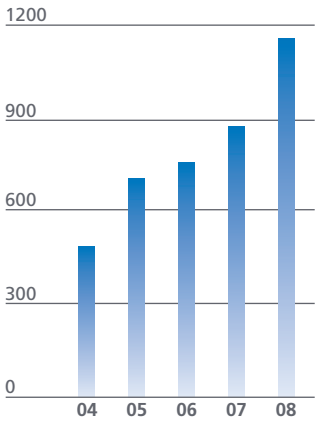
U.S. Revenues
(Millions of Dollars)



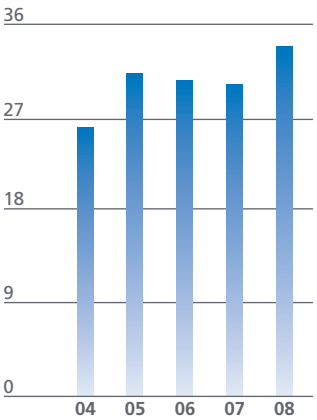
Non-U.S. Revenues
(Millions of Dollars)



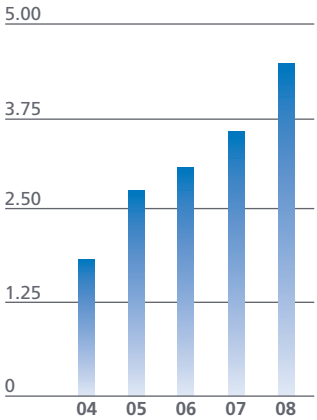
Net Income
(Millions of Dollars)



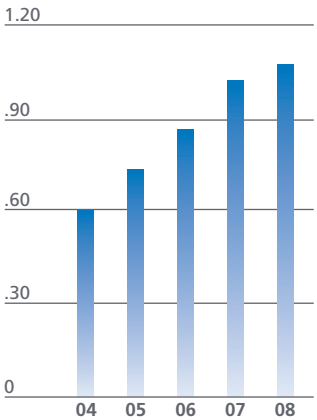
Return on Invested Capital
(Percent)



Earnings Per Share - Diluted
(Dollars)



Dividends Per Common Share
(Dollars)



Ten-Year Summary of Selected Financial Data

Years Ended September 30
Dollars in millions, except per share amounts

	2008	2007	2006	2005
Operations				
Revenues	**$7,155.9**	$6,359.7	$5,738.0	$5,340.8
Research and Development Expense	**396.2**	360.1	301.9	267.7
Operating Income	**1,552.1**	1,203.2	1,141.4	1,063.8
Interest (Income) Expense, Net	**(3.0)**	.2	6.8	19.3
Income From Continuing Operations Before Income Taxes	**1,553.6**	1,203.9	1,125.9	1,037.5
Income Tax Provision	**425.7**	347.8	310.8	325.0
Net Income	**1,127.0**	890.0	752.3	722.3
Basic Earnings per Share	**4.61**	3.63	3.04	2.87
Diluted Earnings per Share	**4.46**	3.49	2.93	2.77
Dividends per Common Share	**1.14**	.98	.86	.72
Financial Position				
Current Assets	**$3,614.7**	$3,130.6	$3,185.3	$2,975.3
Current Liabilities	**1,416.6**	1,478.8	1,576.3	1,299.4
Property, Plant and Equipment, Net	**2,744.5**	2,497.3	2,133.5	1,933.7
Total Assets	**7,912.9**	7,329.4	6,824.5	6,132.8
Long-Term Debt	**953.2**	955.7	957.0	1,060.8
Shareholders' Equity	**4,935.6**	4,362.0	3,836.2	3,284.0
Book Value Per Common Share	**20.30**	17.89	15.63	13.26
Financial Relationships				
Gross Profit Margin	**51.2%**	51.7%	51.3%	50.9%
Return on Revenues[E]	**15.8%**	13.5%	14.2%	13.3%
Return on Total Assets[B] [E]	**20.9%**	17.7%	18.4%	18.4%
Return on Equity[E]	**24.3%**	20.9%	22.9%	22.4%
Debt to Capitalization[D] [E]	**18.8%**	20.9%	25.8%	27.1%
Additional Data				
Number of Employees	**28,300**	28,000	27,000	25,600
Number of Shareholders	**8,820**	8,896	9,147	9,442
Average Common and Common Equivalent Shares Outstanding - Assuming Dilution (millions)	**252.7**	254.8	256.6	260.7
Depreciation and Amortization	**$ 477.4**	$ 441.3	$ 402.3	$ 382.7
Capital Expenditures	**602.0**	556.4	457.1	315.8

(A) Includes cumulative effect of accounting change of $36.8 million ($.14 per basic and diluted share).
(B) Earnings before interest expense, taxes and cumulative effect of accounting changes as a percent of average total assets.
(C) Excludes the cumulative effect of accounting changes.
(D) Total debt as a percent of the sum of total debt, shareholders' equity and net non-current deferred income tax liabilities.
(E) Excludes discontinued operations in 1999 to 2008.

2004	2003	2002	2001	2000	1999
$4,893.9	$4,449.1	$3,960.4	$3,667.6	$3,544.7	$3,412.6
230.8	218.5	201.1	193.8	207.8	203.9
878.2	800.8	689.1	645.9	507.4	477.3
29.6	36.5	33.2	55.3	74.2	72.0
843.8	761.6	642.1	548.6[A]	512.7	404.8
204.9	182.1	153.7	139.3	122.0	96.9
467.4	547.1	480.0	401.7[A]	392.9	275.7
1.85	2.14	1.85	1.55[A]	1.54	1.09
1.77	2.07	1.79	1.49[A]	1.49	1.04
.60	.40	.39	.38	.37	.34
$2,641.3	$2,503.5	$2,091.4	$1,930.1	$1,847.6	$1,843.0
1,050.1	1,059.4	1,271.5	1,285.4	1,382.4	1,358.6
1,881.0	1,831.8	1,750.4	1,701.3	1,565.5	1,423.9
5,752.6	5,572.3	5,029.0	4,790.8	4,505.1	4,437.0
1,171.5	1,184.0	803.0	782.8	778.5	954.0
3,067.9	2,897.0	2,480.9	2,321.7	1,956.0	1,768.7
12.30	11.54	9.71	8.96	7.72	7.05
50.5%	48.9%	48.3%	48.7%	48.6%	49.9%
13.1%	13.0%	12.3%	12.2%[C]	11.0%	9.0%
15.7%	15.2%	13.9%	13.9%	13.4%	11.6%
21.4%	21.6%	20.3%	20.7%[C]	21.0%	18.2%
28.1%	30.5%	32.7%	34.0%	41.7%	47.6%
25,000	24,800	25,200	24,800	25,000	24,000
9,654	9,868	10,050	10,329	10,822	11,433
263.3	263.6	268.2	268.8	263.2	264.6
$ 351.1	$ 332.8	$ 294.7	$ 292.0	$ 273.7	$ 257.8
260.5	253.0	253.5	364.1	371.0	311.4

Company Overview

Becton, Dickinson and Company ("BD") is a medical technology company engaged principally in the development, manufacture and sale of a broad range of medical supplies, devices, laboratory equipment and diagnostic products used by healthcare institutions, life science researchers, clinical laboratories, industry and the general public. Our business consists of three worldwide business segments – BD Medical ("Medical"), BD Diagnostics ("Diagnostics") and BD Biosciences ("Biosciences"). Our products are marketed in the United States and internationally through independent distribution channels and directly to end-users by BD and independent sales representatives. References to years throughout this discussion relate to our fiscal years, which end on September 30.

BD management operates the business consistent with the following core strategies:

- To increase revenue growth by focusing on products that deliver greater benefits to patients, healthcare workers and researchers;
- To improve operating effectiveness and balance sheet productivity; and,
- To strengthen organizational and associate capabilities in the ever-changing healthcare environment.

Our efforts to increase revenues are focused on four specific areas of healthcare:

- Reducing the spread of infection
- Advancing global health
- Enhancing therapy
- Improving disease management

In assessing the outcomes of these strategies and BD's financial condition and operating performance, management generally reviews quarterly forecast data, monthly actual results, segment sales and other similar information. We also consider trends related to certain key financial data, including gross profit margin, selling and administrative expense, investment in research and development, return on invested capital, and cash flows.

The results of our strategies are reflected in our fiscal 2008 financial and operational performance. Worldwide revenues in 2008 of $7.2 billion increased 13% from the prior year and reflected volume increases of approximately 7%, an estimated increase due to favorable foreign currency translation of 6%, and price decreases of less than 1%. U.S. revenues increased 5% to $3.2 billion. International revenues increased 19% to $4.0 billion with an estimated 11 percentage points of such growth coming from the favorable impact of foreign currency translation. Recently, worldwide currency markets have experienced extreme volatility. Our financial projections for 2009 discussed below are based on the foreign exchange rates in early November 2008 when we established our fiscal year budget. Fluctuations in these rates during 2009 may affect these projections. For a discussion of the financial impact of exchange rate fluctuations and the ways and extent to which we attempt to mitigate such impact, see "Financial Instrument Market Risk" below.

Consistent with our strategy to provide products that deliver greater benefits to healthcare workers, and recognizing the issues surrounding sharps-related injuries, BD has developed a wide array of safety-engineered devices that are designed to reduce the incidence of needlestick injuries and exposure to bloodborne pathogens. These products are offered through our Medical and Diagnostics segments. Sales in the United States of safety-engineered devices grew 5% to $1.036 billion in 2008, from $987 million in 2007. International sales of safety-engineered devices grew 29% to $534 million in 2008 from $414 million in 2007, with an estimated 11 percentage points of such growth coming from the favorable impact of foreign currency translation. In 2009, we expect sales of safety-engineered devices to increase about 5 to 6% in the United States, and 11 to 12% internationally, after taking into account an estimated unfavorable foreign exchange impact of about 9%.

Our anticipated revenue growth over the next three years is expected to come from business growth and expansion among all segments and regions of the world, and the development in each business segment of new products and services that provide increased benefits to patients, healthcare workers and researchers. Our ability to sustain our long-term growth will depend on a number of factors, including our ability to expand our core business (including geographical expansion), develop innovative new products with higher gross profit margins across our business segments, and continue to improve operating efficiency and organizational effectiveness. Numerous factors can affect our ability to achieve these goals including, without limitation, economic conditions in the United States and elsewhere, increased competition and healthcare cost containment initiatives. In this regard, we note that President-elect Barack Obama made healthcare reform a central part of his presidential campaign. However, no predictions can be made as to what, if any, reforms may be instituted or their potential effect on BD.

We believe several important factors relating to our business tend to limit the impact on BD of potential economic or political events in countries in which we do business, including the effects of possible healthcare system reforms. For example, since many of our products are used in essential medical care, demand for such products has historically tended not to be significantly affected by economic fluctuations.

The international nature of our business and our ability to meet the needs of the worldwide healthcare industry with cost-effective and innovative products has also historically served to limit the impact of economic downturns in particular regions. However, world financial markets have recently experienced extreme disruption and economic conditions in the United States and abroad have significantly worsened. Accordingly, no assurance can be given that the current worldwide economic downturn (or future economic downturns) will not have a material adverse effect on our access to credit markets or the demand for our products and services or otherwise adversely affect our business.

Results of Continuing Operations

Medical Segment

Medical revenues in 2008 of $3.8 billion increased $380 million, or 11%, over 2007, which includes an estimated impact of favorable foreign currency translation of 6 percentage points.

The following is a summary of revenues by organizational unit:

(millions of dollars)	2008	2007	Total Change	Estimated Foreign Exchange Impact
Medical Surgical Systems	**$2,005**	$1,864	8%	4%
Pharmaceutical Systems	**942**	792	19%	10%
Diabetes Care	**775**	696	11%	5%
Ophthalmic Systems	**79**	69	15%	7%
Total Revenues	**$3,801**	$3,421	11%	6%

Medical revenues reflected the growth of the Pharmaceutical Systems and Diabetes Care units, primarily outside of the United States, and the continued global conversion to safety-engineered products. The Pharmaceutical Systems unit grew by 19%, driven by growth in Europe and Asia-Pacific offset by lower growth in the United States when compared to fiscal 2007, which reflected very high growth to support customer product launches. Revenue growth in the Diabetes Care unit of 11% was driven primarily by double-digit growth in all regions outside of the United States. Revenue in the Medical Surgical Systems unit was primarily driven by growth in safety-engineered products and prefilled flush syringes. Sales of safety-engineered products increased 3% in the United States and 38% internationally. For 2009, we expect the full-year revenue growth for the Medical Segment to be flat to 1%, after taking into account an estimated unfavorable foreign exchange impact of about 5%.

Medical operating income was $1.1 billion, or 28.1% of Medical revenues, in 2008, as compared with $1.0 billion, or 28.4%, of revenues in 2007. Operating income as a percentage of revenues reflects declines in gross margin from increased costs of raw materials, inventory write-offs and declines in sales of products that have higher overall gross profit margins. These items more than offset favorable manufacturing efficiencies and controls on selling and administrative expenses. Selling and administrative expense as a percent of Medical revenues in 2008 declined to 17.9% of revenues from 18.9% of revenues in 2007, primarily due to tight spending controls. Research and development expenses in 2008 increased $8.0 million, or 7%, reflecting continued investment in the development of new products and platforms.

Diagnostics Segment

Diagnostics revenues in 2008 of $2.2 billion increased $255 million, or 13%, over 2007, which reflected an estimated favorable impact of foreign currency translation of about 5 percentage points.

The following is a summary of revenues by organizational unit:

(millions of dollars)	2008	2007	Total Change	Estimated Foreign Exchange Impact
Preanalytical Systems	**$1,124**	$1,007	12%	5%
Diagnostic Systems	**1,036**	898	15%	4%
Total Revenues	**$2,160**	$1,905	13%	5%

Revenue growth in the Preanalytical Systems unit was driven by the continued conversion to safety-engineered products. Sales of safety-engineered products reflected growth of 7% in the United States, driven by *BD Vacutainer* Push Button Blood Collection Set conversion activity, and 25% internationally. The Diagnostics Systems unit experienced growth in worldwide sales of its automated diagnostic platforms, including the molecular *BD ProbeTec, BD Viper* and *BD Affirm* systems, along with solid growth of its *BD BACTEC* blood culture and TB systems and the *BD Phoenix* ID/AST platform. In addition, revenues from TriPath grew $31 million to $119 million and from GeneOhm grew $21 million to $42 million in 2008. For 2009, we expect full year revenue growth for the Diagnostics Segment to be about 2 to 3%, after taking into account an estimated unfavorable foreign exchange impact of about 4%.

Diagnostics operating income was $526 million, or 24.3% of Diagnostics revenues in 2008, compared with $343 million, or 18.0% of revenues in 2007. Segment operating income reflects the in-process research and development charges of $115 million in 2007 related to the TriPath acquisition. The Diagnostics Segment experienced a slight improvement in gross profit margin from sales growth of products that have higher overall gross profit margins, in particular, safety-engineered products and the *BD ProbeTec* and *BD Viper* systems, and favorable foreign exchange. These improvements were slightly offset by manufacturing start-up costs and increases in raw material costs. See further discussion on gross profit margin below. Selling and administrative expense as a percent of Diagnostics revenues in 2008 was 22.0% compared with 22.4% in 2007 primarily due to tight spending controls. Research and development expense increased $16 million, or 14%, reflecting continued investment in the development of new products and platforms with particular emphasis on our molecular platforms.

Biosciences Segment

Biosciences revenues in 2008 of $1.2 billion increased $161 million, or 16%, over 2007, which reflected an estimated impact of favorable foreign currency translation of 6 percentage points.

The following is a summary of revenues by organizational unit:

(millions of dollars)	2008	2007	Total Change	Estimated Foreign Exchange Impact
Cell Analysis	**$ 901**	$ 756	19%	6%
Discovery Labware	**295**	278	6%	5%
Total Revenues *	**$1,195**	$1,034	16%	6%

* Amounts may not add due to rounding.

Revenue growth in the Cell Analysis unit reflected strong sales of instruments and flow cytometry reagents, driven by increased demand for research instruments and clinical reagents. Revenue growth in the Discovery Labware unit reflects reduced sales to a major bionutrients customer compared with 2007. For 2009, we expect the full year revenue growth for the Biosciences Segment to be about 3 to 4%, after taking into account an estimated unfavorable foreign exchange impact of about 5%.

Biosciences operating income was $334 million, or 27.9% of Biosciences revenues in 2008, compared with $259 million, or 25.0% in 2007. Segment operating income in 2007 included an in-process research and development charge of $7 million relating to the Plasso acquisition. The increase in operating income, as a percentage of revenues, reflects gross profit improvement from relatively higher sales growth of products that have higher overall gross profit margins and the favorable impact of foreign currency translation. See further discussion on gross profit margin below. Selling and administrative expense as a percent of Biosciences revenues in 2008 was 23.0% as compared with 24.0% in 2007, primarily due to tight spending controls. Research and development expense in 2008 increased $11 million, or 15%, reflecting spending on new product development and advanced technology.

Geographic Revenues

Revenues in the United States in 2008 of $3.2 billion increased 5%. U.S. sales of safety-engineered devices grew 5% to $1.036 billion in 2008. Overall, growth was also led by increased sales of immunocytometry instruments and reagents, diabetes care products and infectious disease testing systems.

Revenues outside the United States in 2008 increased 19% to $4.0 billion, reflecting an estimated impact of favorable foreign currency translation of 11 percentage points. Growth was led by solid sales in Europe and certain Asia-Pacific countries in 2008. International sales of safety-engineered devices were approximately $534 million in 2008, compared with $414 million in 2007.

Gross Profit Margin

Gross profit margin decreased to 51.2% in 2008, from 51.7% in 2007. Gross profit margin in the current year as compared with the prior year reflected an estimated 0.7% unfavorable impact resulting from increased costs of raw materials (primarily resins) and manufacturing start-up costs, and an estimated 0.1% favorable impact of foreign currency translation. Increased sales of products with relatively higher margins and productivity gains were partially offset by, among other things, asset write-offs, resulting in an estimated net favorable impact of 0.1%. We expect gross profit margin in 2009 to increase by about 40 to 60 basis points compared with 2008, reflecting an expected increase in sales of products with higher overall gross profit margins, productivity gains and the impact of select price increases, partially offset by continued start-up costs and the expected costs associated with a long-term manufacturing cost reduction program we anticipate initiating in 2009.

Operating Expenses

Selling and administrative expense was $1.7 billion, or 24.0% of revenues, in 2008 compared with $1.6 billion, or 25.2% of revenues in 2007. The increase in aggregate expenses for 2008 reflect an unfavorable foreign exchange impact of $80 million, increases in base spending of $24 million, and expenses of $9 million associated with TriPath, which was acquired in December 2006. Selling and administrative expense as a percentage of revenues is expected to decrease by about 80 to 100 basis points for 2009.

Research and development ("R&D") expense in 2008 was $396 million, or 5.5% of revenues, compared with $360 million, or 5.7% of revenues, in 2007. The increase in R&D expenditures includes spending for new programs in each of our segments, as previously discussed. R&D expense is expected to increase about 9 to 10%, or about 50 basis points as a percentage of revenues, for 2009.

Operating Income

Operating margin in 2008 was 21.7% of revenues, compared with 18.9% in 2007. Operating income of $1.2 billion in 2007 reflected $122 million of acquired in-process R&D charges, as further discussed above, which lowered 2007 operating margin by 190 basis points. We expect operating margin to increase about 100 basis points in 2009.

Non-Operating Expense and Income

Interest expense was $36 million in 2008, compared with $46 million in 2007, reflecting a decline in interest rates. Interest income was $39 million in 2008, compared with $46 million in 2007. The favorable impact of higher investment levels was more than offset by investment losses in assets we hold to offset liabilities related to our deferred compensation plan. The related reduction in the deferred compensation liability was recorded as a reduction in selling and administrative expenses.

Income Taxes

The effective tax rate in 2008 was 27.4% compared with the 2007 rate of 28.9%. The 2007 rate reflected the non-deductibility of the acquired in-process R&D charges of $122 million, which was partially offset by the impact of approximately 0.3% resulting from the retroactive reinstatement of the research and experimentation tax credit. In 2009, we expect our effective tax rate to be about 27.5%.

Income and Diluted Earnings per Share from Continuing Operations

Income from continuing operations and diluted earnings per share from continuing operations in 2008 were $1.1 billion and $4.46, respectively. Income from continuing operations and diluted earnings per share from continuing operations in 2007 were $856 million and $3.36, respectively. The acquired in-process R&D charges decreased income from continuing operations and diluted earnings per share from continuing operations in 2007 by $122 million and by $.48, respectively.

Financial Instrument Market Risk

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

We have foreign currency exposures throughout Europe, Asia-Pacific, Canada, Japan and Latin America. We face transactional currency exposures that arise when we enter into transactions in non-hyperinflationary countries, generally on an intercompany basis, that are denominated in currencies other than our functional currency. We hedge substantially all such foreign exchange exposures primarily through the use of forward contracts and currency options. We also face currency exposure that arises from translating the results of our worldwide operations to the U.S. dollar at exchange rates that have fluctuated from the beginning of a reporting period. To partially protect against adverse foreign exchange rate movements, we purchase option and forward contracts to hedge certain forecasted sales that are denominated in foreign currencies. Gains or losses on our derivative instruments are largely offset by the gains or losses on the underlying hedged transactions. For foreign currency derivative instruments, market risk is determined by calculating the impact on fair value of an assumed change in foreign exchange rates relative to the U.S. dollar. Fair values were estimated based on market prices, when available, or dealer quotes. The reduction in fair value of our purchased option contracts is limited to the option's fair value. With respect to the derivative instruments outstanding at September 30, 2008, a 10% appreciation of the U.S. dollar over a one-year period would increase pre-tax earnings by $91 million, while a 10% depreciation of the U.S. dollar would decrease pre-tax earnings by $91 million.

Comparatively, considering our derivative instruments outstanding at September 30, 2007, a 10% appreciation of the U.S. dollar over a one-year period would have increased pre-tax earnings by $52 million, while a 10% depreciation of the U.S. dollar would have decreased pre-tax earnings by $10 million. These calculations do not reflect the impact of exchange gains or losses on the underlying positions that would substantially offset the results of the derivative instruments.

Our primary interest rate exposure results from changes in short-term U.S. dollar interest rates. Our debt and interest-bearing investments at September 30, 2008, are substantially all U.S. dollar-denominated. Therefore, transaction and translation exposure relating to such instruments is minimal. When managing interest rate exposures, we strive to achieve an appropriate balance between fixed and floating rate instruments. We may enter into interest rate swaps to help maintain this balance and manage debt and interest-bearing investments in tandem, since these items have an offsetting impact on interest rate exposure. For interest rate derivative instruments, market risk is determined by calculating the impact to fair value of an assumed change in interest rates across all maturities. Fair values are estimated based on dealer quotes. A change in interest rates on short-term debt and interest-bearing investments is assumed to impact earnings and cash flow, but not fair value because of the short maturities of these instruments. A change in interest rates on long-term debt is assumed to impact fair value but not earnings or cash flow because the interest on such obligations is fixed. Based on our overall interest rate exposure at September 30, 2008 and 2007, a change of 10% in interest rates would not have a material effect on our earnings or cash flows over a one-year period. An increase of 10% in interest rates would decrease the fair value of our long-term debt and interest rate swaps at September 30, 2008 and 2007 by approximately $35 million and $37 million, respectively. A 10% decrease in interest rates would increase the fair value of our long-term debt and interest rate swaps at September 30, 2008 and 2007 by approximately $39 million and $41 million, respectively.

Liquidity and Capital Resources

Cash generated from operations, along with available cash and cash equivalents, is expected to be sufficient to fund our normal operating needs, including capital expenditures, cash dividends and common stock repurchases in 2009. In the latter portion of 2008, particularly in the fourth quarter, global financial markets were characterized by extreme volatility and illiquidity. Despite these adverse conditions, we were able to reissue $200 million of commercial paper that was outstanding during this period. BD believes that it will continue to have access to the U.S. commercial paper market, which should be adequate to fund any short-term borrowing requirements. As discussed further below, we also have a $1 billion unused committed bank credit facility that provides backup support for our commercial paper program and could be drawn down if necessary.

Net Cash Flows from Continuing Operating Activities

Net cash provided by continuing operating activities in 2008 of $1.7 billion increased $452 million over 2007. The increase in cash provided by changes in operating assets and liabilities reflects improvements in accounts receivable and inventory. Net cash provided by continuing operating activities was reduced by a $75 million discretionary cash contribution to the U.S. pension plan in September 2008. An additional discretionary cash contribution of $75 million was made to the U.S. pension plan in October 2008. We expect to generate about $1.8 billion of net cash provided by continuing operating activities in 2009.

Net Cash Flows from Continuing Investing Activities

Net cash used for continuing investing activities in 2008 was $783 million, compared with $1.0 billion in 2007. Acquisitions of businesses represented the net cash paid for the Cytopeia acquisition in 2008 and for the TriPath acquisition in 2007. See Note 3 for further discussion on acquisitions. Capital expenditures were $602 million in 2008, compared with $556 million in 2007. Medical capital spending of $379 million and Diagnostics capital spending of $124 million in 2008 related primarily to various capacity expansions. Biosciences capital spending of $83 million in 2008 included spending on manufacturing capacity expansions. In 2009, capital expenditures are expected to be about $650 million, reflecting investments in various manufacturing capacity and facility expansions.

Net Cash Flows from Continuing Financing Activities

Net cash used for financing activities was $586 million in 2008, as compared with $726 million in 2007, and included the repurchase of shares of our common stock for approximately $450 million in both years. At September 30, 2008, approximately 5.9 million common shares remained available for purchase under a July 2007 Board of Directors' (the "Board") authorization to repurchase up to 10 million common shares. The Board authorized an additional repurchase program for 10 million shares in November 2008. We currently expect that cash used to repurchase common shares in 2009 will be about $450 million. Total debt was $1.2 billion at both September 30, 2008 and 2007. Short-term debt decreased to 17% of total debt at year-end, from 18% at the end of 2007. Floating rate debt was 35% of total debt at the end of 2008 and 36% at the end of 2007. Our weighted average cost of total debt at the end of 2008 was 4.9%, down from 5.7% at the end of 2007. Debt-to-capitalization at year-end improved to 18.8% from 20.9% last year. Issuance of common stock is net of cash outflows resulting from share repurchases to satisfy minimum tax withholding on share-based compensation vested or exercised.

We have in place a commercial paper borrowing program that is available to meet our short-term financing needs, including working capital requirements. Borrowings outstanding under this program were $200 million at September 30, 2008. During the first quarter of 2008, we amended our syndicated credit facility to extend the expiration date from December 2011 to December 2012. This credit facility provides backup support for our commercial paper program and can also be used for other general corporate purposes. This credit facility includes a single financial covenant that requires BD to maintain an interest expense coverage ratio (ratio of earnings before income taxes, depreciation and amortization to interest expense) of not less than 5-to-1 for the most recent four consecutive fiscal quarters. On the last eight measurement dates, this ratio had ranged from 17-to-1 to 31-to-1. There were no borrowings outstanding under this facility at September 30, 2008. In addition, we have informal lines of credit outside the United States.

In July 2008, Standard and Poor's upgraded our long-term debt rating to "AA-" from "A+" and our commercial paper rating to "A-1+" from "A-1." At September 30, 2008, our Moody's long-term debt rating is "A2" and our commercial paper rating was "P-1." The outlook from both agencies was "stable." Given the availability of the various credit facilities and our strong credit ratings, we continue to have confidence in our ability to refinance maturing short-term and long-term debt, as well as to incur substantial additional debt, if required.

BD's ability to generate cash flow from operations, issue debt, enter into other financing arrangements and attract long-term capital on acceptable terms could be adversely affected in the event there was a material decline in the demand for BD's products, deterioration in BD's key financial ratios or credit ratings or other significantly unfavorable changes in conditions. While a deterioration in the Company's credit ratings would increase the costs associated with maintaining and borrowing under its existing credit arrangements, such a downgrade would not affect the Company's ability to draw on these credit facilities, nor would it result in an acceleration of the scheduled maturities of any outstanding debt. The Company believes that given its strong debt ratings, its conservative financial management policies, its ability to generate strong cash flow and the non-cyclical, geographically diversified nature of its businesses, the Company would have access to additional short-term and long-term capital should the need arise.

Contractual Obligations

In the normal course of business, we enter into contracts and commitments that obligate us to make payments in the future. The table below sets forth BD's significant contractual obligations and related scheduled payments:

(millions of dollars)	Total	2009	2010 to 2011	2012 to 2013	2014 and Thereafter
Short-term debt	$ 201	$201	$ —	$ —	$ —
Long-term debt[A]	1,536	52	288	288	908
Operating leases	190	49	68	46	27
Purchase obligations[B]	505	315	184	6	—
Income tax audit settlements[D]	70	13	—	—	57
Total[C]	$2,502	$630	$540	$340	$992

(A) Long-term debt obligations include expected principal and interest obligations, including interest rate swaps. The interest rate forward curve at September 30, 2008 was used to compute the amount of the contractual obligation for variable rate debt instruments and swaps.

(B) Purchase obligations are for purchases made in the normal course of business to meet operational and capital requirements.

(C) Required funding obligations for 2009 relating to pension and other postretirement benefit plans are not expected to be material.

(D) Other than amounts anticipated to be settled in 2009, we cannot accurately forecast the timing of payments related to our FIN 48 liabilities. Accordingly, the remaining amount of $57 million is reflected as payable in 2014 and thereafter.

2007 Compared With 2006

Worldwide revenues in 2007 of $6.4 billion increased 11% from the prior year and reflected volume increases of approximately 8%, an estimated increase due to favorable foreign currency translation of 3%, and price increases of less than 1%.

Medical Segment

Medical revenues in 2007 of $3.4 billion increased $314 million, or 10%, over 2006, which includes an estimated impact of favorable foreign currency translation of 3 percentage points.

The following is a summary of revenues by organizational unit:

(millions of dollars)	2007	2006	Total Change	Estimated Foreign Exchange Impact
Medical Surgical Systems	$1,864	$1,749	7%	2%
Diabetes Care	696	657	6%	2%
Pharmaceutical Systems	792	640	24%	6%
Ophthalmic Systems	69	62	11%	4%
Total Revenues *	$3,421	$3,107	10%	3%

* Amounts may not add due to rounding.

Medical revenues reflect the growth of the Pharmaceutical Systems unit and the continued global conversion to safety-engineered products. The Pharmaceutical Systems unit grew by 24% in 2007, reflecting the increased use of prefillable syringes by pharmaceutical companies to market new vaccines and bio-tech drugs, especially in the United States. Revenue growth in the Medical Surgical Systems unit in 2007 was primarily driven by the growth in safety-engineered products and prefilled flush syringes. Sales of safety-engineered products increased 6% in the United States and 29% internationally.

Medical operating income was $972 million, or 28.4% of Medical revenues, in 2007, as compared with $864 million, or 27.8% in 2006. The increase in operating income as a percentage of revenues reflects gross margin improvement from increased sales of products that have higher overall gross profit margins, in particular, safety-engineered products and pen needles, as well as favorable manufacturing efficiencies associated with higher volumes and increased leverage on selling and administrative expenses. These improvements were slightly offset by manufacturing start-up costs. See further discussion on gross profit margin below. Selling and administrative expense as a percent of Medical revenues in 2007 declined to 18.9% of revenues from 19.6% of revenues in 2006, primarily due to tight expense controls over base spending.

Research and development expenses in 2007 increased $16 million, or 17%, reflecting continued investment in the development of new products and platforms, and included investments in additional resources to enhance our product development process.

Diagnostics Segment

Diagnostics revenues in 2007 of $1.9 billion increased $190 million, or 11%, over 2006, which reflected an estimated favorable impact of foreign currency translation of about 2 percentage points.

The following is a summary of revenues by organizational unit:

(millions of dollars)	2007	2006	Total Change	Estimated Foreign Exchange Impact
Preanalytical Systems	$1,007	$ 928	9%	3%
Diagnostic Systems	898	787	14%	2%
Total Revenues	$1,905	$1,715	11%	2%

Revenue growth in the Preanalytical Systems unit in 2007 was driven by the continued conversion to safety-engineered products, which accounted for sales of $718 million as compared with $627 million in the prior year. Sales of safety-engineered products in 2007 reflected growth of 9% in the United States, which benefited from *BD Vacutainer* Push Button Blood Collection Set conversion activity, and 25% internationally. The Diagnostics Systems unit experienced solid worldwide sales of its automated diagnostic platforms, including the molecular *BD ProbeTec* and *BD Viper* systems, along with solid growth of its *BD BACTEC* blood culture and TB systems and the *BD Phoenix* ID/AST platform. In addition, the Diagnostic Systems revenue growth includes $88 million of revenues from TriPath and $13 million of incremental revenues from GeneOhm. Sales of flu diagnostic tests declined $36 million in fiscal 2007 compared with 2006, primarily due to relatively mild flu seasons in both the United States and Japan and the termination of our supply arrangement with our Japanese supplier.

Diagnostics operating income was $343 million, or 18.0% of Diagnostics revenues in 2007, compared with $390 million, or 22.8% in 2006. Segment operating income reflects the in-process research and development charges of $115 million in 2007 related to the TriPath acquisition and $53 million in 2006 related to the GeneOhm acquisition. The Diagnostics Segment experienced a slight improvement in gross profit margin from sales growth of products that have higher overall gross profit margins, in particular, safety-engineered products and the *BD ProbeTec* system. These improvements were slightly offset by manufacturing start-up costs. See further discussion on gross profit margin below. Selling and administrative expense as a percent of Diagnostics revenues in 2007 was higher than the comparable amount in 2006 primarily due to the impact of TriPath and GeneOhm. Research and development expense increased $33 million, or 39%, reflecting new spending associated with these two acquisitions and overall increased investment in new product development.

Biosciences Segment

Biosciences revenues in 2007 of $1.0 billion increased $118 million, or 13%, over 2006, which reflected an estimated impact of favorable foreign currency translation of 3 percentage points.

The following is a summary of revenues by organizational unit:

(millions of dollars)	2007	2006	Total Change	Estimated Foreign Exchange Impact
Immunocytometry Systems	$ 588	$503	17%	3%
Discovery Labware	278	256	9%	2%
Pharmingen	168	157	7%	2%
Total Revenues	$1,034	$916	13%	3%

Revenue growth in the Immunocytometry Systems unit in 2007 reflects strong sales of instruments and flow cytometry reagents, driven by increased demand for research analyzers and clinical reagents. Revenue growth in the Discovery Labware unit in 2007 reflects strong sales of bionutrients and overall market growth.

Biosciences operating income was $259 million, or 25.0% of Biosciences revenues in 2007, compared with $222 million, or 24.2%, in 2006. Segment operating income includes an in-process research and development charge of $7 million in 2007. The increase in operating income, as a percentage of revenues, reflects gross profit improvement from relatively higher sales growth of products that have higher overall gross profit margins and the favorable impact of foreign currency translation. These improvements were offset by manufacturing start-up costs. See further discussion on gross profit margin below. Selling and administrative expense as a percentage of Biosciences revenues was 24.0% versus 25.3% in 2006. Higher sales and continued tight expense control were the key contributors to the increased expense leverage. Research and development expense in 2007 increased $7 million, or 9.0%, reflecting spending on new product development and advanced technology, particularly in the Immunocytometry Systems unit.

Geographic Revenues

Revenues in the United States in 2007 of $3.0 billion increased 11%. U.S. sales of safety-engineered devices were approximately $987 million in 2007, compared with $920 million in 2006. Growth was also led by strong sales of prefilled flush syringes, prefillable syringes and immunocytometry instruments and reagents. U.S. revenue growth also included $88 million of revenues from TriPath.

Revenues outside the United States in 2007 increased 11% to $3.3 billion, reflecting an estimated impact of favorable foreign currency translation of 5 percentage points. Growth was led by solid sales in our European, Asia-Pacific and Canadian regions in 2007. International sales of safety-engineered devices were approximately $414 million in 2007, compared with $329 million in 2006.

Gross Profit Margin

Gross profit margin was 51.7% in 2007, compared with 51.3% in 2006. Gross profit margin in 2007 as compared with 2006 reflected an estimated 0.6% improvement relating to increased sales of products with relatively higher margins as well as productivity gains. These improvements were partially offset by an estimated 0.2% impact from manufacturing start-up costs.

Operating Expenses

Selling and administrative expense was $1.6 billion in 2007 compared with $1.4 billion in 2006, or 25.2% of revenues in both years. Aggregate expenses for 2007 reflect base spending increases of $62 million and expenses of $40 million associated with the GeneOhm and TriPath operations. Increases in selling and administrative expense in 2007 also reflected the absence of proceeds from insurance settlements of $17 million received in 2006 in connection with our previously-owned latex glove business, as well as an unfavorable foreign exchange impact of $35 million.

Research and development expense in 2007 was $360 million, or 5.7% of revenues, compared with $302 million, or 5.3% of revenues, in 2006. The increase in R&D expenditures includes spending for new programs in each of our segments, as previously discussed.

Non-Operating Expense and Income

Interest expense was $46 million in 2007, compared with $66 million in 2006. The decrease reflected lower debt and higher levels of capitalized interest. Interest income was $46 million in 2007, compared with $59 million in 2006, resulting from lower cash balances.

Income Taxes

The effective tax rate in 2007 was 28.9% compared with the 2006 rate of 27.6%. The 2007 rate reflected the non-deductibility of the acquired in-process R&D charges of $122 million, which were partially offset by the impact of approximately 0.3% resulting from the retroactive reinstatement of the research and experimentation tax credit. The 2006 rate reflected the non-deductibility of the acquired in-process R&D charge of $53 million, as well as the impact relating to the proceeds received from insurance settlements of approximately 0.2%.

Income and Diluted Earnings per Share from Continuing Operations

Income from continuing operations and diluted earnings per share from continuing operations in 2007 were $856 million and $3.36, respectively. The acquired in-process R&D charges decreased income from continuing operations and diluted earnings per share from continuing operations in the aggregate by $122 million and by $.48, respectively, in 2007. Income from continuing operations and diluted earnings per share from continuing operations in 2006 were $815 million and $3.18, respectively. The acquired in-process R&D charge decreased income from continuing operations and diluted earnings per share from continuing operations by $53 million and by $.21, respectively, in 2006.

Discontinued Operations

In September 2006, the Company announced a plan to exit the blood glucose monitoring market. The Company recorded a pre-tax charge of $63 million in connection with its decision to exit the BGM product line. During the first quarter of 2007, the Company received an unsolicited offer for the purchase of the BGM product line. In December 2006, the Company sold the product line for $20 million. Following the sale, prior period Consolidated Statements of Income and Cash Flows were restated to separately present the results of the BGM product line as discontinued operations. See Note 3 of the Notes to Consolidated Financial Statements for additional discussion.

Liquidity and Capital Resources

Net Cash Flows from Continuing Operating Activities

Net cash provided by continuing operating activities was $1.2 billion in 2007, compared with $1.1 billion in 2006.

Net Cash Flows from Continuing Investing Activities

Net cash used for continuing investing activities in 2007 was $1.0 billion, compared with $784 million in 2006. Acquisitions of businesses of $340 million in 2007 represented the net cash paid for the TriPath acquisition. Capital expenditures were $556 million in 2007, compared with $457 million in 2006. Medical capital spending of $353 million and Diagnostics capital spending of $114 million in 2007 related primarily to various capacity expansions. Biosciences capital spending of $73 million in 2007 included spending on manufacturing capacity expansions.

Net Cash Flows from Continuing Financing Activities

Net cash used for financing activities was $726 million in 2007, as compared with $342 million in 2006, and included the repurchase of shares of our common stock for approximately $450 million, compared with approximately $449 million in 2006. Total debt at September 30, 2007, was $1.2 billion compared with $1.4 billion at September 30, 2006. Short-term debt decreased to 18% of total debt at year-end, from 31% at the end of 2006. Floating rate debt was 36% of total debt at the end of 2007 and 46% at the end of 2006. Our weighted average cost of total debt at the end of 2007 was 5.7%, up from 5.5% at the end of 2006. Debt-to-capitalization at year-end improved to 20.9% from 25.8% last year.

Critical Accounting Policies

The preparation of the consolidated financial statements requires management to use estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Some of those judgments can be subjective and complex and, consequently, actual results could differ from those estimates. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. For any given estimate or assumption made by management, it is possible that other people applying reasonable judgment to the same facts and circumstances could develop different estimates. Actual results that differ from management's estimates could have an unfavorable effect on our consolidated financial statements. Management believes the following critical accounting policies reflect the more significant judgments and estimates used in the preparation of the consolidated financial statements.

Revenue Recognition

Revenue from product sales is recognized when title and risk of loss pass to the customer. We recognize revenue for certain instruments sold from the Biosciences segment upon installation at a customer's site, as installation of these instruments is considered a significant post-delivery obligation. For certain sales arrangements, primarily in the U.S., with multiple deliverables, revenue and cost of products sold are recognized at the completion of each deliverable: shipment, installation and training, in accordance with Emerging Issues Task Force Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables." These sales agreements are divided into separate units of accounting. Revenue is recognized upon the completion of each deliverable based on the relative fair values of items delivered. Fair values are generally determined based on sales of the individual deliverables to other third parties.

BD's domestic businesses sell products primarily to distributors who resell the products to end-user customers. We provide rebates to distributors that sell to end-user customers at prices determined under a contract between BD 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.

Impairment of Assets

Pursuant to SFAS No. 142, "Goodwill and Other Intangible Assets," goodwill and indefinite-lived intangible assets are subject to impairment reviews at least annually, or whenever indicators of impairment arise. Intangible assets other than goodwill and indefinite-lived intangible assets and other long-lived assets are reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Impairment reviews are based on a cash flow approach that requires significant management judgment with respect to future volume, revenue and expense growth rates, changes in working capital use, appropriate discount rates and other assumptions and estimates. The estimates and assumptions used are consistent with BD's business plans. The use of alternative estimates and assumptions could increase or decrease the estimated fair value of the asset, and potentially result in different impacts to BD's results of operations. Actual results may differ from management's estimates.

Investments

We hold equity interests in companies having operations or technology in areas within or adjacent to BD's strategic focus. For some of these companies that are publicly traded, market prices are available. However, for those companies that are not publicly traded, fair value is difficult to determine. We write down an investment when management believes an investment has experienced a decline in value that is other than temporary. Future adverse changes in market conditions or poor operating results of the underlying investments could result in an inability to recover the carrying value of the investments, thereby possibly requiring impairment charges in the future.

Tax Valuation Allowances

BD 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, carry back and carry forward periods, and tax strategies that could potentially enhance the likelihood of realization of a deferred tax asset.

Contingencies

We are involved, both as a plaintiff and a defendant, in various legal proceedings that arise in the ordinary course of business, including, without limitation, product liability, antitrust and environmental matters, as further discussed in Note 12 of the Notes to Consolidated Financial Statements. We assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. In accordance with U.S. generally accepted accounting principles, we establish accruals to the extent probable future losses are estimable (in the case of environmental matters, without considering possible third-party recoveries). A determination of the amount of accruals, if any, for these contingencies is made after careful analysis of each individual issue and, when appropriate, is developed after consultation with outside counsel. The accruals may change in the future due to new developments in each matter or changes in our strategy in dealing with these matters.

Given the uncertain nature of litigation generally, we are 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 we are a party. In view of these uncertainties, we could incur charges in excess of any currently established accruals and, to the extent available, excess liability insurance. Accordingly, in the opinion of management, any such future charges, individually or in the aggregate, could have a material adverse effect on BD's consolidated results of operations and consolidated net cash flows.

Benefit Plans

We have significant net pension and other postretirement benefit costs that are measured using actuarial valuations. Pension benefit costs include assumptions for the discount rate and expected return on plan assets. Other postretirement benefit plan costs include assumptions for the discount rate and healthcare cost trend rates. These assumptions have a significant effect on the amounts reported. In addition to the analysis below, see Note 5 of the Notes to Consolidated Financial Statements for additional discussion.

The discount rate is selected each year based on investment grade bonds and other factors as of the measurement date (September 30). For the U.S. pension plan, we used a discount rate of 8.00% as of September 30, 2008, which was based on an actuarially-determined, company-specific yield curve. The rate selected is used to measure liabilities as of the measurement date and for calculating the following year's pension expense. The expected long-term rate of return on plan assets assumption, although reviewed each year, is changed less frequently due to the long-term nature of the assumption. This assumption does not impact the measurement of assets or liabilities as of the measurement date; rather, it is used only in the calculation of pension expense. To determine the expected long-term rate of return on pension plan assets, we consider many factors, including our historical assumptions compared with actual results; benchmark data; expected returns on various plan asset classes, as well as current and expected asset allocations. At September 30, 2008, we used a long-term expected rate of return on plan assets assumption of 8.00% for the U.S. pension plan. We believe our discount rate and expected long-term rate of return on plan assets assumptions are appropriate based upon the above factors.

Sensitivity to changes in key assumptions for our U.S. pension and other postretirement plans are as follows:

- Discount rate – A change of plus (minus) 25 basis points, with other assumptions held constant, would have an estimated $5 million favorable (unfavorable) impact on the total U.S. net pension and other postretirement benefit plan cost.
- Expected return on plan assets – A change of plus (minus) 25 basis points, with other assumptions held constant, would have an estimated $2 million favorable (unfavorable) impact on U.S. pension plan cost.

Share-Based Compensation

Compensation cost relating to share-based payment transactions is recognized in net income using a fair value measurement method, in accordance with SFAS No. 123(R). SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the statement of operations as compensation expense (based on their fair values) over the vesting period of the awards. We determine the fair value of certain share-based awards using a lattice-based binomial option valuation model that incorporates certain assumptions, such as the risk-free interest rate, expected volatility, expected dividend yield and expected life of the options. See Note 13 of the Notes to Consolidated Financial Statements for additional discussion.

Cautionary Statement Regarding Forward-Looking Statements

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

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

We are in the midst of a global economic slowdown and, although we do not currently anticipate any significant weakening of demand for our products, this could change depending on the severity and duration of the slowdown. In addition, the following are some important factors that could cause our actual results to differ from our expectations in any forward-looking statements:

- Regional, national and foreign economic factors, including inflation, deflation and fluctuations in interest rates and foreign currency exchange rates and the potential effect of such fluctuations on revenues, expenses and resulting margins, as well as competition in certain markets.
- Instability in the global financial markets and the potential adverse effect on liquidity and capital resources for BD or its customers and suppliers, the cost of operating our business, or the demand for our products and services.
- Fluctuations in the cost and availability of oil-based resins and other raw materials, as well as certain sub-assemblies and finished goods, and the ability to maintain favorable supplier arrangements and relationships (particularly with respect to sole-source suppliers) and the potential adverse effects of any disruption in the availability of such items.
- We operate in a highly competitive environment. New product introductions by our current or future competitors (for example, new forms of drug delivery) could adversely affect our ability to compete in the global market. Patents attained by competitors, particularly as patents on our products expire, may also adversely impact our competitive position. Certain competitors have established manufacturing sites or have contracted with suppliers in low-cost manufacturing locations as a means to lower their costs. New entrants may also appear.
- We sell certain products to pharmaceutical companies that are used to manufacture, or are sold with, products by such companies. As a result, fluctuations in demand for the products of these pharmaceutical companies could adversely affect our operating results.
- Changes in domestic and foreign healthcare industry practices and regulations resulting in increased pricing pressures, including the continued consolidation among healthcare providers; trends toward managed care and healthcare cost containment; and government laws and regulations relating to sales and promotion, reimbursement and pricing generally.
- The effects, if any, of governmental and media activities regarding the business practices of group purchasing organizations, which negotiate product prices on behalf of their member hospitals with BD and other suppliers.
- Our ability to obtain the anticipated benefits of restructuring programs, if any, that we may undertake.
- Our ability to implement the upgrade of our enterprise resource planning system. Any delays or deficiencies in the design and implementation of our upgrade could adversely affect our business.

- Adoption of, or changes in, government laws and regulations affecting domestic and foreign operations, including those relating to trade, monetary and fiscal policies, taxation, environmental matters, sales practices, price controls, licensing and regulatory approval of new products, regulatory requirements for products in the postmarketing phase, or changes in enforcement practices with respect to any such laws and regulations. In particular, environmental laws, particularly with respect to the emission of greenhouse gases, are becoming more stringent throughout the world, which may increase our costs of operations or necessitate changes in our manufacturing plants or processes.
- Fluctuations in U.S. and international governmental funding and policies for life sciences research.
- Difficulties inherent in product development, including the potential inability to successfully continue technological innovation, complete clinical trials, obtain regulatory approvals in the United States and abroad, obtain coverage and adequate reimbursement for new products, or gain and maintain market approval of products, as well as the possibility of encountering infringement claims by competitors with respect to patent or other intellectual property rights, all of which can preclude or delay commercialization of a product.
- Pending and potential litigation or other proceedings adverse to BD, including antitrust claims, product liability claims, patent infringement claims and the availability or collectibility of insurance relating to such claims.
- The effects, if any, of adverse media exposure or other publicity regarding BD's business or operations.
- Our ability to achieve the projected level or mix of product sales. Our earnings forecasts are generated based on such projected volumes and sales of many product types, some of which are more profitable than others.
- The effect of market fluctuations on the value of assets in BD's pension plans and the possibility that BD may need to make additional contributions to the plans as a result of any decline in the value of such assets.
- Our ability to effect infrastructure enhancements and incorporate new systems technologies into our operations.
- Product efficacy or safety concerns resulting in product recalls, regulatory action on the part of the U.S. Food and Drug Administration (or foreign counterparts) or declining sales.
- Economic and political conditions in international markets, including civil unrest, terrorist activity, governmental changes, restrictions on the ability to transfer capital across borders and expropriation of assets by a government.
- The effects of natural disasters, including hurricanes or pandemic diseases, on our ability to manufacture our products, particularly where production of a product line is concentrated in one or more plants, or on our ability to source components from suppliers that are needed for such manufacturing.
- Our ability to penetrate developing and emerging markets, which also depends on economic and political conditions, and how well we are able to acquire or form strategic business alliances with local companies and make necessary infrastructure enhancements to production facilities, distribution networks, sales equipment and technology.
- The impact of business combinations, including acquisitions and divestitures, both internally on BD and externally on the healthcare industry.
- Issuance of new or revised accounting standards by the Financial Accounting Standards Board or the Securities and Exchange Commission.

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

Management's Responsibilities

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

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

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

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Act of 1934. Management conducted an assessment of the effectiveness of internal control over financial reporting based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment and those criteria, management concluded that internal control over financial reporting was effective as of September 30, 2008.

The financial statements and internal control over financial reporting have been audited by Ernst & Young LLP, an independent registered public accounting firm. Ernst & Young's reports with respect to fairness of the presentation of the statements, and the effectiveness of internal control over financial reporting, are included herein.

Edward J. Ludwig
Chairman, President and Chief Executive Officer

John R. Considine
Vice Chairman and Chief Financial Officer

William A. Tozzi
Vice President - Finance

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Becton, Dickinson and Company as of September 30, 2008 and 2007, and the related consolidated statements of income, comprehensive income, and cash flows for each of the three years in the period ended September 30, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Becton, Dickinson and Company at September 30, 2008 and 2007, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2008, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the Company adopted Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" on October 1, 2007, and Financial Accounting Standard No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132 (R)" on September 30, 2007.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Becton, Dickinson and Company's internal control over financial reporting as of September 30, 2008, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated November 17, 2008 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP
New York, New York
November 17, 2008

Report of Independent Registered Public Accounting Firm

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

We have audited Becton, Dickinson and Company's internal control over financial reporting as of September 30, 2008, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Becton, Dickinson and Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Becton, Dickinson and Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Becton, Dickinson and Company as of September 30, 2008 and 2007, and the related consolidated statements of income, comprehensive income, and cash flows for each of the three years in the period ended September 30, 2008 of Becton, Dickinson and Company, and our report dated November 17, 2008 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP
New York, New York
November 17, 2008

Consolidated Statements of Income

Years Ended September 30
Thousands of dollars, except per share amounts

	2008	2007	2006
Operations			
Revenues	**$7,155,910**	$6,359,708	$5,738,017
Cost of products sold	**3,492,561**	3,071,921	2,793,265
Selling and administrative expense	**1,715,045**	1,602,404	1,448,166
Research and development expense	**396,238**	360,050	301,872
Acquired in-process research and development	**—**	122,133	53,300
Total Operating Costs and Expenses	**5,603,844**	5,156,508	4,596,603
Operating Income	**1,552,066**	1,203,200	1,141,414
Interest expense	**(36,343)**	(46,420)	(66,046)
Interest income	**39,368**	46,221	59,296
Other (expense) income, net	**(1,484)**	944	(8,762)
Income From Continuing Operations Before Income Taxes	**1,553,607**	1,203,945	1,125,902
Income tax provision	**425,689**	347,778	310,792
Income from Continuing Operations	**1,127,918**	856,167	815,110
(Loss) income from Discontinued Operations Net of income tax (benefit) provision of $(567), $15,242 and $(32,823)	**(922)**	33,866	(62,830)
Net Income	**$1,126,996**	$ 890,033	$ 752,280
Basic Earnings per Share			
Income from Continuing Operations	**$ 4.62**	$ 3.50	$ 3.30
Income (loss) from Discontinued Operations	**$ —**	$ 0.14	$ (0.25)
Basic Earnings per Share[A]	**$ 4.61**	$ 3.63	$ 3.04
Diluted Earnings per Share			
Income from Continuing Operations	**$ 4.46**	$ 3.36	$ 3.18
Income (loss) from Discontinued Operations	**$ —**	$ 0.13	$ (0.24)
Diluted Earnings per Share[A]	**$ 4.46**	$ 3.49	$ 2.93

[A] Total per share amounts may not add due to rounding.
See notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

Years Ended September 30
Thousands of dollars

	2008	2007	2006
Net Income	**$1,126,996**	$ 890,033	$752,280
Other Comprehensive (Loss) Income, Net of Tax			
Foreign currency translation adjustments	**(80,305)**	250,411	77,396
Minimum pension liability adjustment	**—**	3,159	77,086
Defined benefit pension and postretirement plans	**(42,862)**	—	—
Unrealized (loss) gain on investments, net of amounts recognized	**(42)**	(10,643)	1,212
Unrealized gain (loss) on cash flow hedges, net of amounts realized	**43,871**	(2,596)	(1,307)
Other Comprehensive (Loss) Income, Net of Tax	**(79,338)**	240,331	154,387
Comprehensive Income	**$1,047,658**	$1,130,364	$906,667

See notes to consolidated financial statements

Consolidated Balance Sheets

September 30
Thousands of dollars, except per share amounts and numbers of shares

	2008	2007
Assets		
Current Assets		
Cash and equivalents	**$ 830,477**	$ 511,482
Short-term investments	**199,942**	158,040
Trade receivables, net	**1,079,051**	1,083,152
Inventories	**1,080,426**	1,051,959
Prepaid expenses, deferred taxes and other	**424,779**	325,933
Total Current Assets	**3,614,675**	3,130,566
Property, Plant and Equipment, Net	**2,744,474**	2,497,338
Goodwill	**625,768**	621,414
Core and Developed Technology, Net	**348,531**	374,779
Other Intangibles, Net	**89,675**	95,938
Capitalized Software, Net	**133,486**	142,738
Other	**356,334**	466,592
Total Assets	**$7,912,943**	$7,329,365
Liabilities		
Current Liabilities		
Short-term debt	**$ 201,312**	$ 207,634
Accounts payable	**260,882**	266,993
Accrued expenses	**519,117**	481,429
Salaries, wages and related items	**406,379**	435,854
Income taxes	**28,889**	86,899
Total Current Liabilities	**1,416,579**	1,478,809
Long-Term Debt	**953,226**	955,713
Long-Term Employee Benefit Obligations	**464,982**	444,874
Deferred Income Taxes and Other	**142,588**	88,012
Commitments and Contingencies	**—**	—
Shareholders' Equity		
Common stock - $1 par value: authorized - 640,000,000 shares; issued-332,662,160 shares in 2008 and 2007	**332,662**	332,662
Capital in excess of par value	**1,359,531**	1,125,368
Retained earnings	**6,838,589**	5,995,787
Deferred compensation	**14,694**	12,205
Common stock in treasury - at cost – 89,584,786 shares in 2008 and 88,825,066 shares in 2007	**(3,532,398)**	(3,105,893)
Accumulated other comprehensive (loss) income	**(77,510)**	1,828
Total Shareholders' Equity	**4,935,568**	4,361,957
Total Liabilities and Shareholders' Equity	**$7,912,943**	$7,329,365

See notes to consolidated financial statements

Consolidated Statements of Cash Flows

Years Ended September 30
Thousands of dollars

	2008	2007	2006
Operating Activities			
Net income	**$1,126,996**	$890,033	$ 752,280
Loss (income) from discontinued operations, net	**922**	(33,866)	62,830
Income from continuing operations, net	**1,127,918**	856,167	815,110
Adjustments to income from continuing operations to derive net cash provided by continuing operating activities, net of amounts acquired:			
Depreciation and amortization	**477,422**	441,341	402,332
Share-based compensation	**100,585**	107,706	108,613
Deferred income taxes	**80,088**	(115,489)	(108,285)
Acquired in-process research and development	**—**	122,133	53,300
Change in operating assets and liabilities:			
Trade receivables, net	**(1,927)**	(117,048)	(19,977)
Inventories	**(43,617)**	(126,863)	(99,505)
Prepaid expenses, deferred taxes and other	**(29,967)**	(24,965)	(122,496)
Accounts payable, income taxes and other liabilities	**(11,776)**	102,996	100,636
Pension obligation	**(56,083)**	(22,119)	(64,971)
Other, net	**45,355**	12,189	39,416
Net Cash Provided by Continuing Operating Activities	**1,687,998**	1,236,048	1,104,173
Investing Activities			
Capital expenditures	**(601,981)**	(556,394)	(457,067)
Capitalized software	**(49,306)**	(22,334)	(22,454)
Change in short-term investments	**(46,321)**	(30,167)	(18,633)
Purchases of long-term investments	**(5,666)**	(3,881)	(9,672)
Acquisitions of businesses, net of cash acquired	**(41,259)**	(339,528)	(231,464)
Proceeds from discontinued operations	**—**	19,971	—
Other, net	**(38,491)**	(85,922)	(44,656)
Net Cash Used for Continuing Investing Activities	**(783,024)**	(1,018,255)	(783,946)
Financing Activities			
Change in short-term debt	**(5,938)**	(121,102)	121,563
Payments of debt	**(1,114)**	(100,790)	(828)
Repurchase of common stock	**(450,001)**	(450,124)	(448,882)
Issuance of common stock	**85,396**	130,679	147,796
Excess tax benefit from payments under share-based compensation plans	**64,335**	55,118	50,609
Dividends paid	**(278,506)**	(239,810)	(212,431)
Net Cash Used for Continuing Financing Activities	**(585,828)**	(726,029)	(342,173)
Discontinued Operations:			
Net cash (used for) provided by operating activities	**(899)**	4,388	(27,773)
Net cash used for investing activities	**—**	—	(2,580)
Net cash used for financing activities	**—**	—	—
Net Cash (Used for) Provided by Discontinued Operations	**(899)**	4,388	(30,353)
Effect of exchange rate changes on cash and equivalents	**748**	15,041	9,698
Net Increase (Decrease) in Cash and Equivalents	**318,995**	(488,807)	(42,601)
Opening Cash and Equivalents	**511,482**	1,000,289	1,042,890
Closing Cash and Equivalents	**$ 830,477**	$511,482	$1,000,289

See 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.

Cash Equivalents
Cash equivalents consist of all highly liquid investments with a maturity of three months or less at time of purchase.

Short-Term Investments
Short-term investments consist of time deposits with maturities greater than three months and 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 $305,510, $280,357 and $262,956 in fiscal 2008, 2007 and 2006, 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 $56,652, $66,386 and $66,037 for 2008, 2007 and 2006, 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 (loss) income.

Revenue Recognition
Revenue from product sales is recognized when title and risk of loss pass to the customer. The Company recognizes revenue for certain instruments sold from the Biosciences segment upon installation at a customer's site, as installation of these instruments is considered a significant post-delivery obligation. For certain sales arrangements, primarily in the U.S., with multiple deliverables, revenue and cost of products sold are recognized at the completion of each deliverable: shipment, installation and training, in accordance with Emerging Issues Task Force Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables." These sales agreements are divided into separate units of accounting. Revenue is recognized upon the completion of each deliverable based on the relative fair values of items delivered. Fair values are generally determined based on sales of the individual deliverables to other third parties.

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 $276,370, $243,263 and $219,788 in 2008, 2007 and 2006, 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, carry back and carry forward 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

On October 1, 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 48 "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 provides guidance for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. As a result of the implementation of FIN 48, the Company recognized a $5,083 increase in its existing liability for uncertain tax positions, with a corresponding decrease to the October 1, 2007 retained earnings balance. The Company also reclassified the total amount of unrecognized tax benefits of $71,782 from a current liability account (Accrued expenses) to a non-current liability account (Deferred Income Taxes and Other) on the Consolidated Balance Sheets, in accordance with FIN 48 as of October 1, 2007. If the Company were to recognize the unrecognized tax benefits, the effective tax rate would be favorably impacted. The Company does not anticipate any significant changes over the next 12 months to the amount of unrecognized tax benefits.

The Company includes interest and penalties associated with unrecognized tax benefits as a component of the Income tax provision on the Consolidated Statements of Income. As of October 1, 2007, accrued interest and penalties related to unrecognized tax benefits, included in the total amount, were $9,388.

The Company conducts business and files tax returns in numerous countries and currently has tax audits in progress in a number of tax jurisdictions. The U.S. Internal Revenue Service ("IRS") has completed its audit for the tax years through 2002; however, the tax years 2000 through 2002 remain open, with a single issue being considered in the IRS administrative appeals process. For the Company's other major tax jurisdictions where it conducts business, the Company's tax years are generally open after 2002.

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 did 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 September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. This Statement is effective for the Company beginning October 1, 2008, and applies to interim periods. The Company does not anticipate the implementation of this Statement will be material to the consolidated financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159"). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Under SFAS No. 159, the decision to measure items as fair value is made at specified election dates on an instrument-by-instrument basis and is irrevocable. Entities electing the fair value option are required to recognize changes in fair value in earnings and to expense upfront costs and fees associated with the item for which the fair value option is elected. This Statement would be effective for the Company, if adopted, beginning October 1, 2008; however, the Company does not anticipate adopting this Statement.

3 Acquisitions and Divestitures

Cytopeia

On May 12, 2008, the Company acquired 100% of the outstanding stock of Cytopeia, Inc., a privately-held corporation that develops and markets advanced flow cytometry cell sorting instruments. The acquisition advances the Company's position in rapidly emerging areas of cell-based research, such as cell therapy research, stem cell research, drug discovery and development, and marine biology. The acquisition was accounted for under the purchase method of accounting and the results of operations of Cytopeia were included in the Biosciences segment'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 $42,914 in cash, including transaction costs. Cash assumed as of the valuation date was $1,655. The purchase price was allocated based upon the fair values of the assets and liabilities acquired. The allocation is based upon the information available as of September 30, 2008 and may be adjusted should further information become available. Additional information that may become subsequently available includes, but is not limited to, changes in the value of deferred tax assets and liabilities. The purchase price allocation resulted in a deferred tax asset of $4,290, core and developed technology of $20,000, deferred tax liabilities of $7,904, primarily associated with core and developed technology; and other net assets of $3,713, primarily consisting of accounts receivable and inventory. 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 $22,815 was recorded as goodwill. The primary item that generated goodwill is the value of the Company's access to new technologies and capabilities related to cell therapy research. No portion of this goodwill is expected to be deductible for tax purposes.

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 $75,261 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 $56,736 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 $32,712 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 of 2007, the Company received an upfront cash payment of $7,167. The effects of this payment, as well as other minor purchase accounting adjustments, are reflected in the purchase price allocation detailed above.

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 tests. 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 addition of biomarkers is intended to improve sensitivity to allow the clinician to find disease more reliably. In February 2008, the Company ceased activities on the clinical trial for this product. The Company presently anticipates having a molecular Pap test commercially available both in the U.S. and outside the U.S. in fiscal year 2012, assuming successful completion of new clinical trials and attainment of approval from FDA.

The breast cancer project, using proprietary biomarkers and reagents, is intended to aid in disease discovery in its earliest stages. Tests developed in this program will also be run on the multiplex testing platform discussed below.

Since the acquisition, the Company changed the focus in this program from staging assay development to screening assay development. The Company anticipates having a breast assay both in the U.S. and outside the U.S. in fiscal year 2013, assuming successful completion of clinical trials and attainment of approval from FDA.

The ovarian cancer project, using proprietary biomarkers and reagents in a multiplex format, is intended to allow for earlier stage detection of cancer. Information the Company expects to obtain from tests developed in this project should allow clinicians to begin treatment sooner, which should lead to improved outcomes overall. In addition, the Company signed a development and supply agreement for a multiplex testing platform to allow for the simultaneous testing of multiple markers from a small volume of serum. The Company anticipates having an ovarian monitoring test commercially available in the U.S. in fiscal year 2010, assuming successful completion of clinical trials and attainment of approval from FDA. Screening tests are expected to be commercially available approximately two years thereafter.

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.

Plasso

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. 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 $32,423 consisting of net operating loss carry forwards and credits; other intangible assets, primarily core and developed technology, of $91,043; deferred tax liabilities of $29,626 associated with other intangible assets, and other net assets of $3,750. 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 $81,652 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 continued 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 first quarter of fiscal 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 2007, adjustments of $9,319 were made to reduce sales returns and 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.

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 in 2006 in the accompanying Consolidated Statements of Income and Cash Flows.

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

	2008	2007	2006
Revenues	**$2,587**	$33,086	$ 96,811
(Loss) income from discontinued operations before income taxes	**(1,489)**	49,108	(95,653)[A]
Income tax benefit (provision)	**567**	(15,242)	32,823
(Loss) income from discontinued operations, net	**$ (922)**	$33,866	$(62,830)[A]

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

4 Other Intangible Assets

Other intangible assets at September 30 consisted of:

	2008		2007	
	Gross Carrying Amount	**Accumulated Amortization**	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets				
Core and developed technology	**$548,974**	**$200,443**	$548,995	$174,216
Patents, trademarks, and other	**297,321**	**216,697**	289,920	203,037
	$846,295	**$417,140**	$838,915	$377,253
Unamortized intangible assets				
Trademarks	**$ 9,051**		$ 9,055	

Intangible amortization expense was $54,217, $46,607 and $34,843 in 2008, 2007 and 2006, respectively. The estimated aggregate amortization expense for the fiscal years ending September 30, 2009 to 2013 are as follows: 2009 – $51,900; 2010 – $50,000; 2011 – $48,100; 2012 – $45,200; 2013 – $43,800.

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 in 2007.

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

	Pension Plans			Other Postretirement Benefits		
	2008	2007	2006	**2008**	2007	2006
Service cost	**$66,440**	$69,869	$74,111	**$ 4,648**	$ 4,386	$ 4,164
Interest cost	**81,939**	75,728	71,997	**14,906**	14,608	14,873
Expected return on plan assets	**(97,218)**	(88,527)	(80,063)	**—**	—	—
Amortization of prior service cost	**(1,066)**	348	309	**(6,232)**	(6,233)	(6,233)
Amortization of loss	**8,256**	17,507	27,932	**3,962**	5,795	7,127
Amortization of net obligation	**(112)**	(92)	(70)	**—**	—	—
Settlements	**602**	—	—	**—**	—	—
	$58,841	$74,833	$94,216	**$17,284**	$18,556	$19,931

Net pension cost attributable to foreign plans included in the preceding table was $20,072, $21,156 and $18,639 in 2008, 2007 and 2006, 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 (loss) income. The incremental effect of adopting SFAS No. 158 was a $209,695 reduction in Shareholders' Equity, net of deferred taxes as of September 30, 2007.

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	
	2008	2007	**2008**	2007
Change in benefit obligation:				
Beginning obligation	**$1,394,430**	$1,384,667	**$ 245,971**	$ 255,726
Service cost	**66,440**	69,869	**4,648**	4,386
Interest cost	**81,939**	75,728	**14,906**	14,608
Plan amendments	**—**	(16,586)	**—**	—
Benefits paid	**(71,517)**	(97,671)	**(22,303)**	(25,411)
Actuarial gain	**(181,968)**	(63,519)	**(47,605)**	(11,818)
Other, includes translation	**(16,868)**	41,942	**5,629**	8,480
Benefit obligation at September 30	**$1,272,456**	$1,394,430	**$ 201,246**	$ 245,971
Change in fair value of plan assets:				
Beginning fair value	**$1,296,169**	$1,124,565	**$ —**	$ —
Actual return on plan assets	**(224,777)**	138,446	**—**	—
Employer contribution	**114,924**	96,952	**—**	—
Benefits paid	**(71,517)**	(97,671)	**—**	—
Other, includes translation	**(14,833)**	33,877	**—**	—
Plan assets at September 30	**$1,099,966**	$1,296,169	**$ —**	$ —
Funded Status at September 30:				
Unfunded benefit obligation	**$ (172,490)**	$ (98,261)	**$(201,246)**	$(245,971)
Amounts recognized in the Consolidated Balance Sheets at September 30:				
Other	**$ 2,841**	$ 32,710	**$ —**	$ —
Salaries, wages and related items	**(5,006)**	(2,668)	**(19,427)**	(20,067)
Long-term Employee Benefit Obligations	**(170,325)**	(128,303)	**(181,819)**	(225,904)
Net amount recognized	**$ (172,490)**	$ (98,261)	**$(201,246)**	$(245,971)
Amounts recognized in Accumulated other comprehensive (loss) income before income taxes at September 30:				
Net transition obligation	**$ 951**	$ 1,156	**$ (243)**	$ —
Prior service credit	**9,018**	10,086	**456**	6,688
Net actuarial loss	**(359,793)**	(238,144)	**(9,992)**	(62,194)
Net amount recognized	**$ (349,824)**	$ (226,902)	**$ (9,779)**	$ (55,506)

Foreign pension plan assets at fair value included in the preceding table were $303,146 and $359,291 at September 30, 2008 and 2007, respectively. The foreign pension plan projected benefit obligations were $417,344 and $430,265 at September 30, 2008 and 2007, 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 $260,253, $227,820 and $135,442, respectively as of September 30, 2008, and $96,723, $76,398 and $14,685, respectively as of September 30, 2007.

The estimated net actuarial loss and prior service credit for pension benefits that will be amortized from Accumulated other comprehensive (loss) income into net pension costs over the next fiscal year are expected to be $17,905 and $1,093, respectively. The estimated net actuarial gain and prior service credit for other postretirement benefits that will be amortized from Accumulated other comprehensive (loss) income into net other postretirement costs over the next fiscal year are expected to be $131 and $463, respectively.

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

	2008	2007	2006
Net Cost			
Discount rate:			
U.S. plans[A]	6.35%	5.95%	5.50%
Foreign plans	5.32	4.65	4.19
Expected return on plan assets:			
U.S. plans[A]	8.00	8.00	8.00
Foreign plans	6.42	6.42	6.02
Rate of compensation increase:			
U.S. plans[A]	4.50	4.50	4.25
Foreign plans	3.45	3.08	2.92
Benefit Obligation			
Discount rate:			
U.S. plans[A]	8.00	6.35	5.95
Foreign plans	5.98	5.32	4.65
Rate of compensation increase:			
U.S. plans[A]	4.50	4.50	4.50
Foreign plans	3.56	3.45	3.08

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

At September 30, 2008 the assumed healthcare trend rates were 8% pre and post age 65, gradually decreasing to an ultimate rate of 5% beginning in 2015. At September 30, 2007 the corresponding assumed healthcare trend rates were 9% 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, 2008 by $10,943 and the aggregate of the service cost and interest cost components of 2008 annual expense by $762. 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, 2008 by $10,073 and the aggregate of the 2008 service cost and interest cost by $667.

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 2009, the Company made a discretionary contribution to its U.S. pension plan in October 2008 of $75,000.

Expected benefit payments are as follows:

	Pension Plans	Other Postretirement Benefits
2009	$105,137	$ 19,427
2010	77,257	19,714
2011	82,588	19,870
2012	89,884	20,019
2013	95,246	20,178
2014-2018	607,818	101,109

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: 2009, $2,372; 2010, $2,480; 2011, $2,574; 2012, $2,646; 2013, $2,695; 2014-2018, $13,314.

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

	2008	2007
Equity securities	55.1%	64.5%
Debt securities	35.7	33.1
Other (primarily cash)	9.2	2.4
	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 Company is in the process of determining the optimal deployment of its discretionary contributions of $75,000 made in both September and October 2008.

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 many factors, including historical assumptions compared with actual results; benchmark data; expected returns on various plan asset classes, as well as current and expected asset allocations.

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:

	2008	2007	2006
Service cost	$11,276	$10,449	$10,148
Interest cost	5,643	5,116	4,946
Amortization of prior service cost	159	1,654	1,654
Amortization of loss	6,686	6,895	8,548
	$23,764	$24,114	$25,296

The unfunded status of the postemployment benefit plans, which are not funded, was $76,286 and $101,514 at September 30, 2008 and 2007, respectively. The amounts recognized in Accumulated other comprehensive (loss) income before income taxes for the net actuarial loss was $26,014 and $57,110 at September 30, 2008 and 2007, respectively. The estimated net actuarial loss that will be amortized from the Accumulated other comprehensive (loss) income into postemployment benefit cost over the next fiscal year is $2,627.

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 $31,526 in 2008, $21,878 in 2007 and $16,626 in 2006. 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 $175,344 at September 30, 2008.

6 Income Taxes

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

	2008	2007	2006
Current:			
Federal	**$269,638**	$307,072	$281,784
State and local, including Puerto Rico	**13,872**	21,669	12,004
Foreign	**150,009**	134,526	125,289
	433,519	463,267	419,077
Deferred:			
Domestic	**12,384**	(94,306)	(101,651)
Foreign	**(20,214)**	(21,183)	(6,634)
	(7,830)	(115,489)	(108,285)
	$425,689	$347,778	$310,792

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

	2008	2007	2006
Domestic, including Puerto Rico	**$ 790,894**	$ 550,750	$ 466,655
Foreign	**762,713**	653,195	659,247
	$1,553,607	$1,203,945	$1,125,902

Deferred tax assets and liabilities are netted on the balance sheet by separate tax jurisdictions. At September 30, 2008 and 2007, net current deferred tax assets of $211,188 and $168,305, respectively, were included in Prepaid expenses, deferred taxes and other. Net non-current deferred tax assets of $85,311 and $168,251, respectively, were included in Other. Net current deferred tax liabilities of $2,985 and $6,136, respectively, were included in Current Liabilities - Income taxes. Net non-current deferred tax liabilities of $35,519 and $37,121, 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, 2008, the cumulative amount of such undistributed earnings indefinitely reinvested outside the United States was $2.1 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.

On October 1, 2007, BD adopted the provisions of FIN 48, "Accounting for Uncertainty in Income Taxes." Under this Interpretation, in order to recognize an uncertain tax benefit, the taxpayer must be more likely than not of sustaining the position, and the measurement of the benefit is calculated as the largest amount that is more than 50 percent likely to be realized upon resolution of the benefit. Adoption of this Interpretation did not have a material impact on BD's financial position. The following table summarizes the gross amounts of unrecognized tax benefits without regard to reduction in tax liabilities or additions to deferred tax assets and liabilities if such unrecognized tax benefits were settled:

October 1, 2007	$71,782
Increase due to current year tax positions	5,411
Increase due to prior year tax positions	535
Decrease due to settlements and lapse of statute of limitations	(8,030)
September 30, 2008	$69,698

The total amount of unrecognized tax benefits, if recognized, would favorably impact the effective tax rate. Included in the above total is approximately $10,946 of interest and penalties, of which approximately $1,558 are reflected in the current year statement of operations. BD does not expect significant changes in the aggregate amount of unrecognized tax benefits that may occur within the next twelve months, other than tax settlements.

The Company conducts business and files tax returns in numerous countries and currently has tax audits in progress in a number of tax jurisdictions. The IRS has completed its audit for the tax years through 2002; however, the tax years 2000 through 2002 remain open, with a single issue being considered in the IRS administrative appeals process. For the Company's other major tax jurisdictions where it conducts business, the Company's tax years are generally open after 2002.

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. 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:

	2008		2007	
	Assets	**Liabilities**	Assets	Liabilities
Compensation and benefits	**$297,933**	**$ —**	$301,118	$ —
Property and equipment	**—**	**206,503**	—	190,979
Loss and credit carryforwards	**175,341**	**—**	193,981	—
Other	**281,279**	**189,741**	172,740	83,538
	754,553	**396,244**	667,839	274,517
Valuation allowance	**(100,314)**	**—**	(100,023)	—
	$654,239	**$396,244**	$567,816	$274,517

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, 2008, the Company had deferred state tax assets for net state operating losses and credit carryforwards of $49,965 for which a valuation allowance of $33,860 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 2009 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:

	2008	2007	2006
Federal statutory tax rate	**35.0%**	35.0%	35.0%
State and local income taxes, net of federal tax benefit	**1.4**	.2	.6
Effect of foreign and Puerto Rico earnings and foreign tax credits	**(8.1)**	(9.2)	(7.4)
Effect of Research, Domestic Production Activities, Extraterritorial Income tax benefits	**(0.8)**	(0.5)	(1.3)
Acquired in-process research and development	**—**	3.6	1.8
Repatriation of foreign earnings under the AJCA	**—**	—	(1.1)
Other, net	**(0.1)**	(0.2)	—
	27.4%	28.9%	27.6%

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: 2008 - $84,600 and $0.33; 2007 - $80,300 and $0.32; and 2006 - $70,000 and $0.27. The tax holidays expire at various dates through 2023.

The Company made income tax payments, net of refunds, of $330,709 in 2008, $345,049 in 2007 and $398,808 in 2006.

7 Supplemental Financial Information

Other (Expense) Income, Net

Other (expense) income, net in 2008 was $(1,484), which primarily included foreign exchange losses (inclusive of hedging costs) of $(10,303), partially offset by equity investment income of $4,642 and income from license and other agreements of $3,386.

Other (expense) income, 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 (expense) income, 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.

Trade Receivables, Net

Allowances for doubtful accounts and cash discounts netted against trade receivables were $35,614 and $39,650 at September 30, 2008 and 2007, respectively.

Inventories

Inventories at September 30 consisted of:

	2008	2007
Materials	**$ 162,726**	$142,484
Work in process	**203,926**	195,155
Finished products	**713,774**	714,320
	$1,080,426	$1,051,959

Property, Plant and Equipment, Net

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

	2008	2007
Land	$ 93,339	$ 79,368
Buildings	1,803,620	1,597,356
Machinery, equipment and fixtures	3,822,785	3,596,781
Leasehold improvements	78,251	80,610
	5,797,995	5,354,115
Less accumulated depreciation and amortization	3,053,521	2,856,777
	$2,744,474	$2,497,338

8 Debt

Short-term debt at September 30 consisted of:

	2008	2007
Loans Payable		
Domestic	$200,000	$200,000
Foreign	992	6,768
Current portion of long-term debt	320	866
	$201,312	$207,634

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 2.3% and 5.2% at September 30, 2008 and 2007, respectively. During 2008, we amended our $1 billion syndicated credit facility to extend its expiration date from December 2011 to December 2012. This credit facility provides backup support for the commercial paper program and can also be used for other general corporate purposes. It includes a restrictive covenant that requires a minimum interest coverage ratio, with which the Company was in compliance at September 30, 2008. There were no borrowings outstanding under the facility at September 30, 2008. In addition, the Company had short-term foreign lines of credit pursuant to informal arrangements of approximately $145,000 at September 30, 2008, almost all of which was unused.

Long-Term Debt at September 30 consisted of:

	2008	2007
Domestic notes due through 2013 (average year-end interest rate: 2.4% - 2008; 4.3% - 2007)	$ 8,130	$ 9,801
7.15% Notes due October 1, 2009	205,372	205,914
4.55% Notes due April 15, 2013	198,940	198,734
4.90% Notes due April 15, 2018	205,734	206,214
7.00% Debentures due August 1, 2027	168,000	168,000
6.70% Debentures due August 1, 2028	167,050	167,050
	$953,226	$955,713

Long-term debt balances as of September 30, 2008 and 2007 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, 2010 to 2013 are as follows: 2010 - $205,457; 2011 - $22; 2012 - $20; 2013 - $206,943.

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:

	2008	2007	2006
Charged to operations	$36,343	$46,420	$66,046
Capitalized	29,862	27,528	19,955
	$66,205	$73,948	$86,001

Interest paid, net of amounts capitalized, was $36,222 in 2008, $50,730 in 2007 and $62,514 in 2006.

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 forward and option 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 (loss) income to revenues. The Company recorded hedge net gains, exclusive of hedging costs, of $1,177, $6,911 and $8,242 to revenues in 2008, 2007 and 2006, respectively. Revenues in 2008, 2007 and 2006 are net of hedging costs of $12,037, $15,136 and $12,508, respectively, related to the purchased option contracts. The Company records in Other income (expense), net, the premium of the forward contracts, which is excluded from the assessment of hedge effectiveness. The net premium was $562 in 2006. All outstanding contracts that were designated as cash flow hedges as of September 30, 2008 will mature by September 30, 2009. At September 30, 2008 and 2007, Accumulated other comprehensive (loss) income included unrealized gains of $37,786 and unrealized losses of $4,994, 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 (loss) income. 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 (loss) income 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 $1,763.

At September 30, 2008 and 2007, Accumulated other comprehensive (loss) income included an unrealized loss of $10,306 and $11,397, 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 (loss) income, 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:

	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Currency options[A]	$ —	$ —	$3,982	$3,982
Forward exchange contracts[A]	78,337	78,337	8,007	8,007
Interest rate swaps[A]	5,372	5,372	5,914	5,914
Equity securities	239	239	1,291	1,291
Liabilities:				
Forward exchange contracts[B]	29,647	29,647	8,968	8,968
Long-term debt	953,226	907,293	955,713	949,490

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

(B) Included in Accrued Expenses.

Concentration of Credit Risk

Cash deposits in excess of amounts covered by government-provided insurance are exposed to loss in the event of non-performance by financial institutions. The Company does maintain cash deposits in excess of government-provided insurance limits. 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 obliga-

tions 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, 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)
Net income			1,126,996			
Cash dividends:						
Common ($1.14 per share)			(279,110)			
Common stock issued for:						
Share-based compensation plans, net		132,372			4,649,160	25,866
Business acquisitions		1,206			16,327	118
Share-based compensation		100,585				
Common stock held in trusts, net				2,489	(169,307)	(2,489)
Repurchase of common stock					(5,255,900)	(450,000)
Cumulative effect for adoption of FIN 48			(5,084)			
Balance at September 30, 2008	**$332,662**	**$1,359,531**	**$6,838,589**	**$14,694**	**(89,584,786)**	**$(3,532,398)**

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.

11 Accumulated Other Comprehensive (Loss) Income

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

	2008	2007
Foreign currency translation adjustments	**$157,089**	$237,394
Benefit plans adjustment	**(261,457)**	(218,595)
Unrealized loss on investments	**(622)**	(580)
Unrealized gains (losses) on cash flow hedges	**27,480**	(16,391)
	$ (77,510)	$ 1,828

The income tax benefit recorded in fiscal years 2008 and 2007 for the unrealized gains on investments was $25 and $6,524, respectively. The income tax provision (benefit) recorded in fiscal years 2008 and 2007 for cash flow hedges was $26,889 and $(1,247), respectively. The income tax benefit recorded in fiscal year 2008 for defined benefit pension and postretirement plans was $3,439. The income tax provision recorded in fiscal year 2007 for the minimum pension liability adjustment was $2,050. Income taxes are generally not provided for translation adjustments.

The unrealized losses on cash flow hedges included in other comprehensive (loss) income for 2008 and 2007 are net of reclassification adjustments of $6,733 and $5,099, net of tax, respectively, for realized net hedge losses recorded to revenues. These amounts had been included in Accumulated other comprehensive (loss) income in prior periods. The tax benefits associated with these reclassification adjustments in 2008 and 2007 were $4,127 and $3,126, respectively.

12 Commitments and Contingencies

Commitments

Rental expense for all operating leases amounted to $70,300 in 2008, $68,100 in 2007, and $63,400 in 2006. Future minimum rental commitments on noncancelable leases are as follows: 2009 - $48,600; 2010 - $37,900; 2011 - $30,300; 2012 - $24,500; 2013 - $21,100 and an aggregate of $27,200 thereafter.

As of September 30, 2008, the Company has certain future purchase commitments aggregating to approximately $505,000, 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, U.S. 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, U.S. 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, U.S. 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 June 6, 2006, UltiMed, Inc., a Minnesota company, filed suit against the Company in the U.S. 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. ("RTI") filed a complaint against the Company under the caption *Retractable Technologies, Inc. vs. Becton Dickinson and Company* (Civil Action No. 2:07-cv-250, U.S. District Court, Eastern District of Texas). RTI alleges that the *BD Integra* syringes infringe patents licensed exclusively to RTI. In its complaint, RTI also alleges that the Company engaged in false advertising with respect to certain of the Company's safety-engineered products in violation of the Lanham Act; acted to exclude RTI from various product markets and to maintain its market share through, among other things, exclusionary contracts in violation of state and federal antitrust laws; and engaged in unfair competition. In January 2008, the court granted the Company's motion to sever the patent and non-patent claims into separate cases. The non-patent claims have been stayed, pending resolution of RTI's patent claims. The trial on the patent claims is currently scheduled to commence in March 2009. RTI seeks money damages and injunctive relief. On April 1, 2008, RTI filed a complaint against BD under the caption *Retractable Technologies, Inc. and Thomas J. Shaw v. Becton Dickinson and Company* (Civil Action No. 2:08-cv-141, U.S. District Court, Eastern District of Texas). RTI alleges that the *BD Integra* syringes infringe another patent licensed exclusively to RTI. RTI seeks money damages and injunctive relief. On August 29, 2008, the court ordered the consolidation of these two cases.

The Company, along with another manufacturer and several medical product distributors, is named as a defendant in two 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 nine 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 two 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 South Carolina, a suit has been filed on behalf of an unspecified number of healthcare workers seeking class action certification in state court 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 the pending 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 May 28, 2004, Therasense, Inc. ("Therasense") filed suit against the Company (*Therasense, Inc. and Abbott Laboratories v. Nova Biomedical Corporation and Becton, Dickinson and Company* (Case Number: C 04-02123 WDA, U.S. District Court, Northern District of California)) asserting that the Company's blood glucose monitoring products infringe four Therasense patents and seeking money damages. 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. On April 4, 2008, the Court granted the Company summary judgment with respect to two of the patents asserted against the Company, finding no infringement by the Company. On June 24, 2008, the Court ruled that a third patent asserted against the Company was invalid and unenforceable. On August 8, 2008, a jury delivered a verdict in the Company's favor, finding that the last of the four patents asserted against the Company was invalid. Abbott/Therasense have appealed some of these decisions, and it is possible that other decisions will also be appealed after the Court rules on post-trial motions.

On September 19, 2007, the Company was 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") (*U.S. ex rel Fitzgerald v. BD et al.* (Civil Action No. 3:03-CV-1589, U.S. District Court, Northern District of Texas). The suit alleges that a group purchasing organization's practices with its suppliers, including the Company, inflated the costs of healthcare reimbursement. 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. In September 2008, the Court dismissed certain of the plaintiff's claims, but denied the Company's motion to dismiss with respect to other claims.

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 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. In 2008, 2007 and 2006, the compensation expense for these plans charged to income was $100,585, $107,706 and $108,613, respectively, and the associated income tax benefit recognized was $36,236, $37,179 and $35,155, respectively.

Stock Appreciation Rights

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 2008 and 2007: risk-free interest rate of 3.83% and 4.56%, respectively; expected volatility of 27% and 28%, respectively; expected dividend yield of 1.35% and 1.37%, 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 SARs 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 2008 and 2007 was $24.92 and $22.66, respectively. The total intrinsic value of SARs exercised during 2008 was $2,122. The Company issued 17,873 shares during 2008 to satisfy the SARs exercised.

A summary of SARs outstanding as of September 30, 2008, and changes during the year then ended is as follows:

	SARs	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance at October 1	3,164,729	$65.26		
Granted	1,445,508	84.33		
Exercised	(88,681)	62.33		
Forfeited, canceled or expired	(178,380)	71.11		
Balance at September 30	4,343,176	$71.43	8.12	$44,048
Vested and expected to vest at September 30	4,026,657	$71.20	8.10	$41,613
Exercisable at September 30	1,177,988	$63.57	7.49	$19,702

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.

A summary of stock options outstanding as of September 30, 2008, 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	13,997,747	$35.81		
Granted	—	—		
Exercised	(3,643,415)	33.75		
Forfeited, canceled or expired	(100,343)	39.09		
Balance at September 30	10,253,989	$36.51	4.07	$448,611
Vested and expected to vest at September 30	10,218,280	$36.45	4.06	$447,689
Exercisable at September 30	9,896,895	$35.86	4.00	$439,395

Cash received from the exercising of stock options in 2008, 2007 and 2006 was $122,977, $134,133 and $147,831, respectively. The actual tax benefit realized for tax deductions from stock option exercises totaled $62,230, $59,491 and $48,751, respectively. The total intrinsic value of stock options exercised during the years 2008, 2007 and 2006 was $191,627, $187,537 and $168,752, 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, 2008, and changes during the year then ended is as follows:

	Stock Units	Weighted Average Grant Date Fair Value
Balance at October 1	3,883,955	$60.23
Granted	891,622	84.33
Vested	(671,208)	53.70
Forfeited or canceled	(937,074)	54.91
Balance at September 30[(A)]	3,167,295	$69.98
Expected to vest at September 30[(B)]	1,338,925	$69.24

(A) Based on 170% to 250% of the target payout, depending on year of grant.

(B) Net of expected forfeited units and units in excess of the expected performance payout of 194,157 and 1,634,213, respectively.

The weighted average grant date fair value of performance-based restricted stock units granted during the years 2007 and 2006 was $71.72 and $59.16, respectively. At September 30, 2008, the weighted average remaining contractual term of performance-based restricted stock units is 1.08 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, 2008, and changes during the year then ended is as follows:

	Stock Units	Weighted Average Grant Date Fair Value
Balance at October 1	1,618,082	$61.11
Granted	469,625	84.42
Vested	(332,192)	55.72
Forfeited or canceled	(185,186)	60.00
Balance at September 30	1,570,329	$69.35
Expected to vest at September 30	1,413,296	$69.35

The weighted average grant date fair value of time-vested restricted stock units granted during the years 2007 and 2006 was $72.20 and $59.62, respectively. At September 30, 2008, the weighted average remaining contractual term of the time-vested restricted stock units is 1.90 years.

The amount of unrecognized compensation expense for all non-vested share-based awards as of September 30, 2008, is approximately $106,872, which is expected to be recognized over a weighted-average remaining life of approximately 1.99 years. At September 30, 2008, 3,954,723 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, 2008, the Company has sufficient shares held in treasury to satisfy these payments in 2009.

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, 2008 and 2007, awards for 161,145 and 214,206 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 2008.

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, 2008, 97,881 shares were held in trust, of which 5,092 shares represented Directors' compensation in 2008, 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, 2008, 454,316 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:

	2008	2007	2006
Average common shares outstanding	**244,323**	244,929	247,067
Dilutive share equivalents from share-based plans	**8,358**	9,881	9,487
Average common and common equivalent shares outstanding - assuming dilution	**252,681**	254,810	256,554

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; safety-engineered and auto-disable devices; 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 distribution channels and directly to end-users by BD and independent sales representatives. Sales to a distributor that supplies products from the Medical and Diagnostics segments accounted for approximately 9% of revenues in 2008 and 2007. Sales to this distributor accounted for 11% of revenues in 2006. No other customer accounted for 10% or more of revenues in any of the three years presented.

Revenues[A]	2008	2007	2006
Medical	**$3,801,003**	$3,420,670	$3,106,646
Diagnostics	**2,159,811**	1,905,105	1,715,090
Biosciences	**1,195,096**	1,033,933	916,281
	$7,155,910	$6,359,708	$5,738,017
Segment Operating Income			
Medical	**$1,068,143**	$ 971,990	$864,180
Diagnostics	**525,747**	342,778[B]	390,355[B]
Biosciences	**333,662**	258,806[B]	221,925
Total Segment Operating Income	**1,927,552**	1,573,574	1,476,460
Unallocated Expenses[C]	**(373,945)**	(369,629)	(350,558)
Income From Continuing Operations Before Income Taxes	**$1,553,607**	$1,203,945	$1,125,902
Segment Assets			
Medical	**$3,432,113**	$3,289,490	$2,835,613
Diagnostics	**1,887,261**	1,843,654	1,485,959
Biosciences	**933,105**	817,000	727,634
Total Segment Assets	**6,252,479**	5,950,144	5,049,206
Corporate and All Other[D]	**1,660,464**	1,379,221	1,775,319
	$7,912,943	$7,329,365	$6,824,525
Capital Expenditures			
Medical	**$378,786**	$ 352,696	$ 268,669
Diagnostics	**123,915**	113,691	104,815
Biosciences	**82,880**	73,502	38,952
Corporate and All Other	**16,400**	16,505	44,631
	$ 601,981	$ 556,394	$ 457,067
Depreciation and Amortization			
Medical	**$ 240,442**	$ 223,430	$ 210,044
Diagnostics	**150,202**	138,936	116,072
Biosciences	**75,809**	68,889	63,383
Corporate and All Other	**10,969**	10,086	12,833
	$ 477,422	$ 441,341	$ 402,332

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

(D) Includes cash and investments and corporate assets.

Revenues by Organizational Units	2008	2007	2006
BD Medical			
Medical Surgical Systems	**$2,004,854**	$1,864,080	$1,748,743
Diabetes Care	**775,320**	695,981	656,533
Pharmaceutical Systems	**942,136**	791,900	639,694
Ophthalmic Systems	**78,693**	68,709	61,676
	$3,801,003	$3,420,670	$3,106,646
BD Diagnostics			
Preanalytical Systems	**$1,123,528**	$1,006,692	$927,759
Diagnostic Systems	**1,036,283**	898,413	787,331
	$2,159,811	$1,905,105	$1,715,090
BD Biosciences			
Cell Analysis[A]	**$ 900,511**	$ 756,031	$ 660,196
Discovery Labware	**294,585**	277,902	256,085
	$1,195,096	$1,033,933	$ 916,281
	$7,155,910	$6,359,708	$5,738,017

(A) Cell Analysis consists of the Immunocytometry Systems and the Pharmingen organizational units that were previously reported separately.

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.

	2008	2007	2006
Revenues			
United States	**$3,184,806**	$3,033,005	$2,739,344
Europe	**2,488,956**	2,047,388	1,762,782
Other	**1,482,148**	1,279,315	1,235,891
	$7,155,910	$6,359,708	$5,738,017
Long-Lived Assets			
United States	**$2,179,544**	$2,172,327	$1,934,994
Europe	**1,135,379**	1,106,284	893,495
Other	**721,355**	646,188	540,925
Corporate	**261,990**	274,000	269,858
	$4,298,268	$4,198,799	$3,639,272

Quarterly Data (unaudited)

Thousands of dollars, except per share amounts

	2008				
	1st	2nd	3rd	4th	Year
Revenues	**$1,705,767**	**$1,746,925**	**$1,867,587**	**$1,835,631**	**$7,155,910**
Gross Profit	**875,921**	**893,118**	**950,225**	**944,085**	**3,663,349**
Income from Continuing Operations	**270,896**	**275,635**	**297,409**	**283,978**	**1,127,918**
Earnings per Share:					
Income from Continuing Operations	**1.11**	**1.13**	**1.22**	**1.16**	**4.62**
Income from Discontinued Operations	**—**	**—**	**—**	**(0.01)**	**—**
Basic Earnings per Share[A]	**1.11**	**1.13**	**1.22**	**1.16**	**4.61**
Income from Continuing Operations	**1.07**	**1.09**	**1.18**	**1.13**	**4.46**
Income from Discontinued Operations	**—**	**—**	**—**	**(0.01)**	**—**
Diluted Earnings per Share	**1.07**	**1.09**	**1.18**	**1.12**	**4.46**

	2007				
	1st	2nd	3rd	4th	Year
Revenues	$1,501,526	$1,575,922	$1,631,159	$1,651,101	$6,359,708
Gross Profit	792,593	811,382	840,088	843,724	3,287,787
Income from Continuing Operations	131,051[B]	235,539	240,469[B]	249,108	856,167[B]
Earnings per Share:					
Income from Continuing Operations	.53	.96	.98	1.02	3.50
Income from Discontinued Operations	.05	.03	.02	.04	.14
Basic Earnings per Share[A]	.58	.99	1.00	1.07	3.63
Income from Continuing Operations	.51	.92	.95	.98	3.36
Income from Discontinued Operations	.05	.03	.02	.04	.13
Diluted Earnings per Share[A]	.56	.95	.96	1.03	3.49

(A) Total per share amounts may not add due to rounding.

(B) Includes the acquired in-process research and development charges in the first and third quarters related to the TriPath and Plasso acquisitions, respectively.

The graph below presents a comparison of cumulative total return to shareholders for the five-year period ended September 30, 2008 for BD, the S&P 500 Index and the S&P 500 Health Care Equipment Index.

Cumulative total return to shareholders is measured by dividing total dividends (assuming dividend reinvestment) plus per share price change for the period by the share price at the beginning of the measurement period. BD's cumulative shareholder return is based on an investment of $100 on September 30, 2003 and is compared to the cumulative total return of the S&P 500 Index and the S&P 500 Health Care Equipment Index over the same period with a like amount invested.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN AMONG BECTON, DICKINSON AND COMPANY, THE S&P 500 INDEX AND THE S&P HEALTH CARE EQUIPMENT INDEX*

Source: Standard & Poor's

Annual Meeting
1:00 p.m.
Tuesday, February 3, 2009
Hilton Short Hills
41 John F. Kennedy Parkway
Short Hills, NJ 07078

This annual report is not a solicitation of proxies.

Direct Stock Purchase Plan
The Direct Stock Purchase Plan established through Computershare Trust Company, N.A., enhances the services provided to existing shareholders and facilitates initial investments in BD shares. Plan documentation and additional information may be obtained by calling Computershare Trust Company, N.A., at 1-877-498-8861, or by accessing the "Buy Shares" feature located within the Investor Centre of Computershare's website at www.computershare.com.

NYSE Symbol
BDX

On February 19, 2008, Edward J. Ludwig, Chairman, President and Chief Executive Officer, submitted to the NYSE the Written Affirmation required by the rules of the NYSE certifying that he was not aware of any violations by BD of NYSE Corporate Governance listing standards.

The certifications of Mr. Ludwig and John R. Considine, Vice Chairman and Chief Financial Officer, made pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 regarding the quality of BD's public disclosure, have been filed as exhibits to the Company's 2008 Annual Report on Form 10-K.

Transfer Agent and Registrar
Computershare Trust Company, N.A.
250 Royall Street
Canton, MA 02021
Phone: 1-877-498-8861
International: 1-781-575-2726
Internet: www.computershare.com

Shareholder Information
At November 5, 2008, BD had 8,793 shareholders of record. BD's Statement of Corporate Governance Principles, BD's Business Conduct and Compliance Guide, the charters of BD's Committees of the Board of Directors, BD's reports and statements filed with or furnished to the Securities and Exchange Commission and other information are posted on BD's website at www.bd.com/investors/.

Shareholders may receive, without charge, printed copies of these documents, including BD's 2008 Annual Report on Form 10-K, by contacting:

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

Independent Auditors
Ernst & Young LLP
5 Times Square
New York, NY 10036-6530
Phone: 1-212-773-3000
Internet: www.ey.com

Common Stock Prices and Dividends (per common share)

By Quarter	2008		
	High	Low	Dividends
First	$85.30	$80.30	$0.285
Second	92.34	84.03	0.285
Third	89.40	77.93	0.285
Fourth	88.49	78.71	0.285

By Quarter	2007		
	High	Low	Dividends
First	$73.79	$68.81	$0.245
Second	78.14	69.85	0.245
Third	80.87	73.65	0.245
Fourth	82.61	74.24	0.245

Corporate Officers

Edward J. Ludwig
Chairman, President and
Chief Executive Officer

Richard K. Berman
Vice President and Treasurer

Donna M. Boles
Senior Vice President – Human Resources

Mark H. Borofsky
Vice President – Taxes

James R. Brown
Vice President – Quality Management

Scott P. Bruder, M.D., Ph.D.
Senior Vice President and
Chief Technology Officer

Gary M. Cohen
Executive Vice President

John R. Considine
Vice Chairman and
Chief Financial Officer

Jean-Marc Dageville
President – Western Europe

David T. Durack, M.D.
Senior Vice President –
Corporate Medical Affairs

David V. Elkins
Executive Vice President and
Chief Financial Officer
(effective December 1, 2008)

Vincent A. Forlenza
Executive Vice President
(President, *effective January 1, 2009)*

A. John Hanson
Executive Vice President

David W. Highet
Vice President and
Chief Intellectual Property Counsel

William A. Kozy
Executive Vice President

Dean J. Paranicas
Vice President, Corporate Secretary
and Public Policy

Carmelo Sanz de Barros
President – Latin America

Jeffrey S. Sherman
Senior Vice President and
General Counsel

Patricia B. Shrader
Senior Vice President, Corporate
Regulatory and External Affairs

William A. Tozzi
Vice President – Finance

Board of Directors

Basil L. Anderson[1,4]
Retired Vice Chairman – Staples, Inc.

Henry P. Becton, Jr.[2,4,5]
Vice Chairman and former President –
WGBH Educational Foundation

John R. Considine
Vice Chairman and
Chief Financial Officer – BD

Edward F. DeGraan[2,4,5]
Retired Vice Chairman – Gillette
Procter & Gamble Company

Claire M. Fraser-Liggett, Ph.D.[3,6]
Director – Institute of Genome Sciences,
University of Maryland School of Medicine

Marshall O. Larsen[1,2]
Chairman, President and Chief Executive
Officer – Goodrich Corporation

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

Adel A. F. Mahmoud, M.D., Ph.D.[3,6]
Professor, Department of Molecular
Biology and the Woodrow Wilson School
of Public and International Affairs –
Princeton University

Gary A. Mecklenburg[1,3,4]
Retired President and
Chief Executive Officer –
Northwestern Memorial HealthCare

Cathy E. Minehan[1,3]
Retired President and Chief Executive
Officer – Federal Reserve Bank of Boston

James F. Orr[1,2,5,6]
Retired Chairman and Chief Executive
Officer – Convergys Corporation

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

Bertram L. Scott[1,3,4]
Executive Vice President – TIAA-CREF

Alfred Sommer, M.D., M.H.S.[3,5,6]
Professor of International Health,
Epidemiology and Ophthalmology –
Johns Hopkins University Medical School
and Bloomberg School of Public Health

Committees appointed by the Board of Directors

1 - Audit Committee
2 - Compensation and Benefits Committee
3 - Corporate and Scientific Affairs Committee
4 - Corporate Governance and Nominating Committee
5 - Executive Committee
6 - Finance Committee

Left to right: Marshall O. Larsen; Edward F. DeGraan; Adel A.F. Mahmoud, M.D., Ph.D.; John R. Considine *(seated)*; Claire M. Fraser-Liggett, Ph.D.; Basil L. Anderson; Gary A. Mecklenburg; Edward J. Ludwig; Henry P. Becton, Jr.; Alfred Sommer, M.D., M.H.S.; Willard J. Overlock, Jr. *(seated)*; Bertram L. Scott; Cathy E. Minehan; and James F. Orr.

1 Becton Drive
Franklin Lakes, NJ 07417
www.bd.com