BECTON DICKINSON & CO
Form 10-Q
February 07, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2011

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-4802

Becton, Dickinson and Company

(Exact name of registrant as specified in its charter)

New Jersey	22-0760120
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 Becton Drive, Franklin Lakes, New Jersey 07417-1880

(Address of principal executive offices)

(Zip Code)

(201) 847-6800 .

(Registrant s telephone number, including area code)

N/A

(Former name, former address and former fiscal year,

if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class of Common Stock	Shares Outstanding as of December 31, 2011
Common stock, par value $1.00	210,103,437

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BECTON, DICKINSON AND COMPANY

FORM 10-Q

For the quarterly period ended December 31, 2011

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ITEM 1. FINANCIAL STATEMENTS

BECTON, DICKINSON AND COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

Thousands of dollars

Assets	December 31, 2011 (Unaudited)	September 30, 2011
Current Assets:		
Cash and equivalents	$ 2,196,278	$ 1,175,282
Short-term investments	497,413	388,031
Trade receivables, net	1,139,081	1,228,637
Inventories:		
Materials	174,266	176,955
Work in process	245,472	233,538
Finished products	841,992	834,479
	1,261,730	1,244,972
Prepaid expenses, deferred taxes and other	599,642	631,409
Total Current Assets	5,694,144	4,668,331
Property, plant and equipment	6,920,607	6,880,209
Less allowances for depreciation and amortization	3,708,295	3,669,012
	3,212,312	3,211,197
Goodwill	992,736	991,121
Core and Developed Technology, Net	371,780	380,899
Other Intangibles, Net	415,238	417,636
Capitalized Software, Net	320,121	316,634
Other	407,032	444,610
Total Assets	$ 11,413,363	$ 10,430,428
Liabilities and Shareholders Equity		
Current Liabilities:		
Short-term debt	$ 203,894	$ 234,932
Payables and accrued expenses	1,402,480	1,588,296
Total Current Liabilities	1,606,374	1,823,228
Long-Term Debt	3,972,194	2,484,665
Long-Term Employee Benefit Obligations	777,599	1,068,483
Deferred Income Taxes and Other	329,642	225,877
Commitments and Contingencies		
Shareholders Equity:		
Common stock	332,662	332,662
Capital in excess of par value	1,831,882	1,793,160
Retained earnings	9,799,928	9,633,584
Deferred compensation	19,497	18,875
Common shares in treasury at cost	(6,683,861)	(6,280,106)

Accumulated other comprehensive loss	(572,554)	(670,000)
Total Shareholders Equity	4,727,554	4,828,175
Total Liabilities and Shareholders Equity	$ 11,413,363	$ 10,430,428

See notes to condensed consolidated financial statements

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BECTON, DICKINSON AND COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Thousands of dollars, except per share data

(Unaudited)

	Three Months Ended December 31,	
	2011	2010
Revenues	$ 1,887,645	$ 1,842,005
Cost of products sold	926,182	865,431
Selling and administrative	488,958	447,954
Research and development	113,936	115,542
Total Operating Costs and Expenses	1,529,076	1,428,927
Operating Income	358,569	413,078
Interest income	15,448	15,222
Interest expense	(29,378)	(15,553)
Other expense, net	(385)	(4,596)
Income From Continuing Operations Before Income Taxes	344,254	408,151
Income tax provision	81,244	93,875
Income From Continuing Operations	263,010	314,276
(Loss) Income from Discontinued Operations, net	(25)	1,661
Net Income	$ 262,985	$ 315,937
Basic Earnings per Share:		
Income from Continuing Operations	$ 1.23	$ 1.38
(Loss) Income from Discontinued Operations		0.01
Basic Earnings per Share	$ 1.23	$ 1.39
Diluted Earnings per Share:		
Income from Continuing Operations	$ 1.21	$ 1.35
(Loss) Income from Discontinued Operations		0.01
Diluted Earnings per Share	$ 1.21	$ 1.36
Dividends per Common Share	$ 0.450	$ 0.410

See notes to condensed consolidated financial statements

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BECTON, DICKINSON AND COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Thousands of dollars

(Unaudited)

	Three Months Ended December 31,	
	2011	2010
Operating Activities		
Net income	$ 262,985	$ 315,937
Less: (Loss) income from discontinued operations, net	(25)	1,661
Income from continuing operations	263,010	314,276
Adjustments to income from continuing operations to derive net cash provided by continuing operating activities, net of amounts acquired:		
Depreciation and amortization	135,618	123,192
Share-based compensation	34,355	34,081
Deferred income taxes	29,171	(10,534)
Change in operating assets and liabilities	(81,891)	(28,630)
Pension obligation	(73,562)	27,576
Other, net	6,318	9,782
Net Cash Provided by Continuing Operating Activities	313,019	469,743
Investing Activities		
Capital expenditures	(103,653)	(79,842)
Capitalized software	(12,503)	(17,666)
Purchases of investments, net	(109,982)	(464,015)
Other, net	(25,776)	(5,827)
Net Cash Used for Continuing Investing Activities	(251,914)	(567,350)
Financing Activities		
Change in short-term debt	(379)	31,826
Proceeds from long-term debt	1,488,285	991,265
Payments of debt	(31,454)	(7)
Repurchase of common stock	(399,873)	(836,891)
Excess tax benefits from payments under share-based compensation plans	3,736	14,979
Dividends paid	(96,154)	(92,707)
Issuance of common stock and other, net	(4,994)	27,522
Net Cash Provided by Continuing Financing Activities	959,167	135,987
Discontinued Operations		
Net cash provided by (used for) operating activities	1,539	(3,634)
Net cash used for investing activities	(113)	(75)
Net Cash Provided by (Used for) Discontinued Operations	1,426	(3,709)
Effect of exchange rate changes on cash and equivalents	(702)	(1,305)

Net increase in cash and equivalents	1,020,996	33,366
Opening Cash and Equivalents	1,175,282	1,215,989
Closing Cash and Equivalents	$ 2,196,278	$ 1,249,355

See notes to condensed consolidated financial statements

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BECTON, DICKINSON AND COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Dollar and share amounts in thousands, except per share data

December 31, 2011

Note 1 Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, in the opinion of the management of the Company, include all adjustments which are of a normal recurring nature, necessary for a fair presentation of the financial position and the results of operations and cash flows for the periods presented. However, the financial statements do not include all information and accompanying notes required for a presentation in accordance with U.S. generally accepted accounting principles. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included or incorporated by reference in the Company s 2011 Annual Report on Form 10-K. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year.

Note 2 Comprehensive Income

Comprehensive income was comprised of the following:

	Three Months Ended December 31,	
	2011	2010
Net Income	$ 262,985	$ 315,937
Other Comprehensive Income (Loss), Net of Tax		
Foreign currency translation adjustments	(48,087)	(38,728)
Benefit plans adjustment	143,747	10,765
Unrealized loss on investments, net of amounts recognized	(28)	
Unrealized gains on cash flow hedges, net of amounts realized	1,814	8,898
	97,446	(19,065)
Comprehensive Income	$ 360,431	$ 296,872

The loss recorded as foreign currency translation adjustments for the three months ended December 31, 2011 is mainly attributable to the weakening of the Euro against the U.S. dollar during this period. The gain recorded as benefit plan adjustments primarily relates to the November 30, 2011 remeasurement of the Company s U.S. defined pension plan. Additional disclosures regarding the benefit plan remeasurement are included in Note 7.

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Note 3 Earnings per Share

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

	Three Months Ended December 31,	
	2011	2010
Average common shares outstanding	214,300	228,083
Dilutive share equivalents from share-based plans	3,334	4,832
Average common and common equivalent shares outstanding assuming dilution	217,634	232,915

Note 4 Contingencies

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 below, 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.

The Company is named as a defendant in the following purported class action suits brought on behalf of distributors and other entities that purchase the Company s products (the Distributor Plaintiffs), alleging that the Company violated federal antitrust laws, resulting in the charging of higher prices for the Company s products to the plaintiffs and other purported class members.

Case	Court	Date Filed
Louisiana Wholesale Drug Company, Inc., et. al. vs. Becton Dickinson and Company	U.S. District Court, Newark, New Jersey	March 25, 2005
SAJ Distributors, Inc. et. al. vs. Becton Dickinson & Co.	U.S. District Court, Eastern District of Pennsylvania	September 6, 2005
Dik Drug Company, et. al. vs. Becton, Dickinson and Company	U.S. District Court, Newark, New Jersey	September 12, 2005
American Sales Company, Inc. et. al. vs. Becton, Dickinson & Co.	U.S. District Court, Eastern District of Pennsylvania	October 3, 2005
Park Surgical Co. Inc. et. al. vs. Becton, Dickinson and Company	U.S. District Court, Eastern District of Pennsylvania	October 26, 2005

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These actions have been consolidated under the caption *In re Hypodermic Products Antitrust Litigation.*

The Company is also named as a defendant in the following purported class action suits brought on behalf of purchasers of the Company s products, such as hospitals (the Hospital Plaintiffs), alleging that the Company violated federal and state antitrust laws, resulting in the charging of higher prices for the Company s products to the plaintiffs and other purported class members.

Case	Court	Date Filed
Jabo s Pharmacy, Inc., et. al. v. Becton	U.S. District Court, Greenville,	
Dickinson & Company	Tennessee	June 7, 2005
Drug Mart Tallman, Inc., et. al. v. Becton	U.S. District Court, Newark,	
Dickinson and Company	New Jersey	January 17, 2006
	U.S. District Court, Newark,	
Medstar v. Becton Dickinson	New Jersey	May 18, 2006
The Hebrew Home for the Aged at Riverdale	U.S. District Court, Southern	
v. Becton Dickinson and Company	District of New York	March 28, 2007

The plaintiffs in each of the above 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 April 27, 2009, the Company entered into a settlement agreement with the Distributor Plaintiffs in these actions. The settlement agreement provided for, among other things, the payment by the Company of $45,000 in exchange for a release by all potential class members of the direct purchaser claims under federal antitrust laws related to the products and acts enumerated in the complaint, and a dismissal of the case with prejudice, insofar as it relates to direct purchaser claims. The release would not cover potential class members that affirmatively opt out of the settlement. On September 30, 2010, the court issued an order denying a motion to approve the settlement agreement, ruling that the Hospital Plaintiffs, and not the Distributor Plaintiffs, are the direct purchasers entitled to pursue damages under the federal antitrust laws for certain sales of BD products. The settlement agreement currently remains in effect, subject to certain termination provisions, and the federal court of appeals has granted the Distributor Plaintiffs request to appeal the trial court s order on an interlocutory basis. The Company currently cannot estimate the range of reasonably possible losses with respect to these class action matters beyond the $45,000 already accrued and changes to the amount already recognized may be required in the future as additional information becomes available.

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-

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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 severed the patent and non-patent claims into separate cases, and stayed the non-patent claims during the pendency of the patent claims at the trial court level. 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 the patent cases. On November 9, 2009, at a trial of these consolidated cases, the jury rendered a verdict in favor of RTI on all but one of its infringement claims, but did not find any willful infringement, and awarded RTI $5,000 in damages. On May 19, 2010, the court granted RTI s motion for a permanent injunction against the continued sale by the Company of its BD Integra™ products in their current form, but stayed the injunction for the duration of the Company s appeal. At the same time, the court lifted a stay of RTI s non-patent claims. On July 8, 2011, the Court of Appeals for the Federal Circuit reversed the District Court judgment that the Company s 3ml BD Integra products infringed the asserted RTI patents and affirmed the District Court judgment of infringement against the Company s discontinued 1ml BD Integra products. On October 31, 2011, the Federal Circuit Court of Appeals denied RTI s request for an en banc rehearing. RTI has advised the court of its intention to seek an appeal of the Federal Circuit Court of Appeals patent ruling to the United States Supreme Court, and has until March 26, 2012, to file for such appeal. The trial on RTI s antitrust and false advertising claims has been postponed pending resolution of RTI s appeal of the patent ruling.

With respect to RTI s antitrust and false advertising claims, BD cannot estimate the possible loss or range of possible loss as there are significant legal and factual issues to be resolved. These include discovery regarding RTI s alleged damages and liability theories, which has not been completed. Each party has filed motions seeking to exclude portions of the other party s expert testimony and to preclude the other party from introducing certain other evidence at trial. RTI s intention to seek an appeal of the appellate court s patent ruling to the U.S. Supreme Court adds further uncertainty to the possible future outcomes of RTI s antitrust and false advertising claims. In the event that RTI ultimately succeeds at trial and subsequent appeals on its antitrust and false advertising claims, any potential loss could be material as RTI is seeking to recover substantial damages including disgorgement of profits and damages under the federal antitrust laws which are trebled. BD believes RTI s allegations are without merit.

On October 19, 2009, Gen-Probe Incorporated (Gen-Probe) filed a patent infringement action against BD in the U.S. District Court for the Southern District of California. The complaint alleges that the BD Viper and BD Viper XTR systems and BD ProbeTec specimen collection products infringe certain U.S. patents of Gen-Probe. On March 23, 2010, Gen-Probe filed a complaint, also in the U.S. District Court for the Southern District of California, alleging that the BD Max™ instrument infringes Gen-Probe patents. The patents alleged to be infringed are a subset of the Gen-Probe patents asserted against the Company in the October 2009 suit. On June 8, 2010, the Court consolidated these cases. Gen-Probe is seeking monetary damages

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and injunctive relief. The Company currently cannot estimate the range of reasonably possible losses for this matter as the proceedings are in relatively early stages and there are significant issues to be resolved, as, among other things, fact discovery is ongoing, expert discovery, including depositions, has not commenced, expert reports (including damage reports) have not been prepared, the claims that Gen-Probe intends to take to trial have not been specified, and summary judgment motions may still be filed.

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.

Note 5 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). These segments are strategic businesses that are managed separately because each one develops, manufactures and markets distinct products and services. The Company evaluates performance of its business segments and allocates resources to them primarily based upon operating income. Segment operating income represents revenues reduced by product costs and operating expenses. From time to time, the Company hedges against certain forecasted sales of U.S.-produced products sold outside the United States. Gains and losses associated with these foreign currency translation hedges are reported in segment revenues based upon their proportionate share of these international sales of U.S.-produced products. Financial information for the Company s segments was as follows:

	Three Months Ended December 31,	
	2011	2010
Revenues (A)		
Medical	$ 950,397	$ 926,547
Diagnostics	620,743	601,722
Biosciences	316,505	313,736
	$ 1,887,645	$ 1,842,005

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Segment Operating Income		
Medical	$ 253,735	$ 275,597
Diagnostics	165,364	161,163
Biosciences	82,968	90,464
Total Segment Operating Income	502,067	527,224
Unallocated Items (B)	(157,813)	(119,073)
Income from Continuing Operations Before Income Taxes	$ 344,254	$ 408,151

(A) Intersegment revenues are not material.
(B) Includes primarily interest, net; foreign exchange; corporate expenses; and share-based compensation expense.

	Three Months Ended December 31,	
	2011	2010
Revenues by Organizational Units		
BD Medical		
Medical Surgical Systems	$ 522,308	$ 512,728
Diabetes Care	225,920	213,882
Pharmaceutical Systems	202,169	199,937
	$ 950,397	$ 926,547
BD Diagnostics		
Preanalytical Systems	$ 316,622	$ 312,628
Diagnostic Systems	304,121	289,094
	$ 620,743	$ 601,722
BD Biosciences		
Cell Analysis	$ 243,601	$ 240,742
Discovery Labware	72,904	72,994
	$ 316,505	$ 313,736
	$ 1,887,645	$ 1,842,005

Revenues by geographic areas were as follows:

	Three Months Ended December 31,	
	2011	2010

Total Revenues		
United States	$ 828,793	$ 828,602
International	1,058,852	1,013,403
	$ 1,887,645	$ 1,842,005

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Note 6 Share-Based Compensation

The Company grants share-based awards under the 2004 Employee and Director Equity-Based Compensation Plan (the 2004 Plan), which provides long-term incentive compensation to employees and directors. The Company believes that such awards align the interests of its employees and directors with those of its shareholders.

The fair value of share-based payments is recognized as compensation expense in net income. For the three months ended December 31, 2011 and 2010, compensation expense charged to income was $34,355 and $34,081, respectively. Share-based compensation attributable to discontinued operations was not material.

The amount of unrecognized compensation expense for all non-vested share-based awards as of December 31, 2011 was approximately $150,300, which is expected to be recognized over a weighted-average remaining life of approximately 2.6 years.

The fair values of stock appreciation rights granted during the annual share-based grants in November of 2011 and 2010, respectively, were estimated on the date of grant using a lattice-based binomial valuation model based on the following assumptions:

	2011	2010
Risk-free interest rate	1.67%	2.40%
Expected volatility	22.00%	24.00%
Expected dividend yield	2.50%	2.14%
Expected life	7.9 years	7.8 years
Fair value derived	$ 12.61	$ 16.80

Note 7 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. Other postretirement benefit plans in foreign countries are not material. The measurement date used for the Company s employee benefit plans is September 30.

On November 30, 2011, the Company remeasured its U.S. defined pension plan as a result of amendments to this plan that were approved and communicated to affected employees during the first quarter of fiscal year 2012. Effective January 1, 2013, all plan participants benefits in the defined benefit traditional pension plan will be converted to a defined benefit cash balance pension plan. The November 30, 2011 remeasurement was based upon a discount rate of 5.1%, compared with the discount rate of 4.9% used on the September 30, 2011 measurement date. The increase in the discount rate will reduce total fiscal year 2012 net pension cost by $5,300. An increase in plan assets held as of November 30, 2011 compared with assets held as of September 30, 2011 also will reduce total fiscal year 2012 net pension cost by $6,200. The total reduction in fiscal year 2012 net pension cost resulting from the remeasurement will be $40,200.

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Net pension and postretirement cost included the following components for the three months ended December 31:

	Pension Plans		Other Postretirement Benefits	
	2011	2010	2011	2010
Service cost	$ 23,029	$ 22,904	$ 1,470	$ 1,473
Interest cost	27,989	23,258	3,215	3,284
Expected return on plan assets	(31,772)	(25,557)		
Amortization of prior service credit	(3,370)	(270)	(173)	(172)
Amortization of loss	17,196	13,881	1,162	1,117
Net pension and postretirement cost	$ 33,072	$ 34,216	$ 5,674	$ 5,702

Postemployment benefit costs for the three months ended December 31, 2011 and 2010 were $8,995 and $6,794, respectively.

Note 8 Divestitures

In the fourth quarter of fiscal year 2010, the Company sold the Ophthalmic Systems unit and the surgical blades, critical care and extended dwell catheter product platforms for $270,000. The Company recognized a pre-tax gain on sale from all of these divestitures of $146,478.

The results of operations associated with the Ophthalmic Systems unit, surgical blade platform and critical care platform are reported as discontinued operations for all periods presented in the accompanying Consolidated Statements of Income and Cash Flows and related disclosures. The Company agreed to perform contract manufacturing for a defined period after the sale of the extended dwell catheter product platform. Due to this significant continuing involvement in operations, the associated results of operations were reported within continuing operations and $18,197 of the gain on sale was recognized in *Other income (expense)*.

Results of discontinued operations were as follows:

	Three Months Ended December 31,	
	2011	2010
Revenues	$ 48	$ 2,888
(Loss) income from discontinued operations before income taxes	(44)	1,884
Less income tax (benefit) provision	(19)	223
(Loss) income from discontinued operations, net	$ (25)	$ 1,661

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Note 9 Intangible Assets

Intangible assets consisted of:

	December 31, 2011		September 30, 2011	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets				
Core and developed technology	$ 688,233	$ 316,453	$ 685,191	$ 304,292
Product rights	153,372	3,834	152,140	1,268
Patents, trademarks, and other	311,860	234,129	309,337	230,542
	$ 1,153,465	$ 554,416	$ 1,146,668	$ 536,102
Unamortized intangible assets				
Acquired in-process research and development	$ 185,300		$ 185,300	
Trademarks	2,669		2,669	
	$ 187,969		$ 187,969	

Intangible amortization expense for the three months ended December 31, 2011 and 2010 was $16,532 and $11,734, respectively.

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Note 10 Derivative Instruments and Hedging Activities

The Company uses derivative instruments to mitigate certain exposures. The effects these derivative instruments and hedged items have on financial position, financial performance, and cash flows are provided below.

Foreign Currency Risks and Related Strategies

The Company has foreign currency exposures throughout Europe, Asia Pacific, Canada, Japan and Latin America. From time to time, the Company may partially hedge forecasted export sales denominated in foreign currencies using forward and option contracts, generally with one-year terms. The Company s hedging program has been designed to mitigate exposures resulting from movements of the U.S. dollar, from the beginning of a reporting period, against other foreign currencies. The Company s strategy is to offset the changes in the present value of future foreign currency revenue resulting from these movements with either gains or losses in the fair value of foreign currency derivative contracts. The Company did not enter into contracts to hedge cash flows for fiscal year 2011 and as of December 31, 2011, the Company has not entered into contracts to hedge cash flows for fiscal year 2012.

The Company designates forward contracts used to hedge these certain forecasted sales denominated in foreign currencies as cash flow hedges. Changes in the effective portion of the fair value of the Company s forward contracts that are designated and qualify as cash flow hedges (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk) are included in *Other comprehensive income (loss)* until the hedged transactions are reclassified in earnings. These changes result from the maturity of derivative instruments as well as the commencement of new derivative instruments. The changes also reflect movements in the period-end foreign exchange rates against the forward rates at the time the Company enters into any given derivative instrument contract. Once the hedged revenue transaction occurs, the recognized gain or loss on the contract is reclassified from *Accumulated other comprehensive income (loss)* to *Revenues*. The Company records the premium or discount of the forward contracts, which is included in the assessment of hedge effectiveness, to *Revenues*.

In the event that the revenue transactions underlying a derivative instrument are no longer probable of occurring, accounting for the instrument under hedge accounting is discontinued. Gains and losses previously recognized in *Other comprehensive income (loss)* are reclassified into *Other income (expense)*. If only a portion of the revenue transaction underlying a derivative instrument is no longer probable of occurring, only the portion of the derivative relating to those revenues would no longer be eligible for hedge accounting.

Transactional currency exposures that arise from entering into transactions, generally on an intercompany basis, in non-hyperinflationary countries that are denominated in currencies other than the functional currency are mitigated primarily through the use of forward contracts and currency options. Hedges of the transactional foreign exchange exposures resulting primarily from intercompany payables and receivables are undesignated hedges. As such, the gains or losses on these instruments are recognized immediately in income. The offset of these gains or losses against the gains and losses on the underlying hedged items, as well as the hedging costs associated with the derivative instruments, is recognized in *Other income (expense)*.

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The total notional amounts of the Company s outstanding foreign exchange contracts as of December 31, 2011 and September 30, 2011 were $1,619,341 and $2,209,780, respectively.

Interest Rate Risks and Related Strategies

The Company s primary interest rate exposure results from changes in U.S. dollar interest rates. The Company s policy is to manage interest cost using a mix of fixed and variable rate debt. The Company periodically uses interest rate swaps to manage such exposures. Under these interest rate swaps, the Company exchanges, 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 interest rate swaps designated as fair value hedges (i.e., hedges against the exposure to changes in the fair value of an asset or a liability or an identified portion thereof that is attributable to a particular risk), 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.

Changes in the fair value of the interest rate swaps designated as cash flow hedges (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk) are offset by amounts recorded in *Other comprehensive income (loss)*. If interest rate derivatives designated as cash flow hedges are terminated, the balance in *Accumulated other comprehensive income (loss)* attributable to those derivatives is reclassified into earnings over the remaining life of the hedged debt. The amount, related to terminated interest rate swaps, expected to be reclassified and recorded in *Interest expense* within the next 12 months is $5,271, net of tax.

The total notional amounts of the Company s outstanding interest rate swaps designated as fair value hedges were $200,000 at both December 31, 2011 and September 30, 2011. The outstanding swap represents a fixed-to-floating rate swap agreement that was entered into to convert the interest payments on $200,000 in 4.55% notes, due April 15, 2013, from the fixed rate to a floating interest rate based on LIBOR.

The Company had no outstanding interest rate swaps designated as cash flow hedges as of December 31, 2011. The total notional amount of the Company s outstanding interest rate swaps designated as cash flow hedges as of September 30, 2011 was $900,000 and included forward starting fixed-to-floating rate swap agreements under which the Company agreed to pay a fixed interest rate and receive a floating interest rate based on LIBOR, subject to mandatory termination and cash settlement on the forward start date. These hedges were entered into during the fourth quarter of fiscal year 2011 in anticipation of issuing new long-term debt in the first quarter of fiscal year 2012. Their purpose was to partially hedge the risk of changes in interest payments attributable to changes in the benchmark interest rate (the U.S. Dollar LIBOR swap rate) against which the debt was issued. These swaps were terminated on November 3, 2011, concurrent with the issuance of the new long-term debt.

Risk Exposures Not Hedged

The Company purchases resins, which are oil-based components used in the manufacture of certain products. While the Company has been able to hedge certain purchases of polyethylene, the Company does not currently use any hedges to manage the risk exposures related to other resins. Significant increases in world oil prices that lead to increases in resin purchase costs

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could impact future operating results. From time to time, the Company has managed price risks associated with other commodity purchases. The Company had no commodity forward contracts outstanding as of December 31, 2011 or September 30, 2011.

Effects on Consolidated Balance Sheets

The location and amounts of derivative instrument fair values in the consolidated balance sheet are segregated below between designated, qualifying hedging instruments and ones that are not designated for hedge accounting.

	December 31, 2011	September 30, 2011
Asset derivatives-designated for hedge accounting		
Interest rate swap	$ 4,804	$ 5,959
Asset derivatives-undesignated for hedge accounting		
Forward exchange contracts	$ 6,417	$ 37,198
Total asset derivatives (A)	$ 11,221	$ 43,157
Liability derivatives-designated for hedge accounting		
Interest rate swaps	$	$ 69,103
Liability derivatives-undesignated for hedge accounting		
Forward exchange contracts	$ 11,491	$ 39,589
Total liability derivatives (B)	$ 11,491	$ 108,692

(A) All asset derivatives are included in Prepaid expenses, deferred taxes and other.
(B) All liability derivatives are included in Accrued expenses.

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Effects on Consolidated Statements of Income

Cash flow hedges

The location and amount of gains and losses on designated derivative instruments recognized in the consolidated statement of income for the three months ended December 31 consisted of:

Derivatives Accounted for as Designated Cash Flow Hedging Relationships	Gain (Loss) Recognized in OCI on Derivatives Three Months Ended December 31,		Location of Gain (Loss) Reclassified from Accumulated OCI into Income	Gain (Loss) Reclassified from Accumulated OCI into Income Three Months Ended December 31,	
	2011	2010		2011	2010
Interest rate swaps	$ 1,814	$ 8,898	Interest expense	$ (1,528)	$ (451)

The Company s designated derivative instruments are perfectly effective. As such, there were no gains or losses, related to hedge ineffectiveness or amounts excluded from hedge effectiveness testing, recognized immediately in income for the three-month period ending December 31, 2011.

The gain recorded in *Other comprehensive income (loss)* for the three months ended December 31, 2011 included the increase in the value of interest rate swaps entered into during the fourth quarter of fiscal year 2011 to partially hedge interest rate risk associated with the anticipated issuance of $500,000 of 5-year 1.75% notes and $1,000,000 of 10-year 3.125% notes in the first quarter of fiscal year 2012. These swaps were designated as hedges of the variability in interest payments attributable to changes in the benchmark interest rates against which the long-term debt was priced and they were terminated at a loss in November 2011, concurrent with the pricing of the notes. The gain recorded in *Other comprehensive income (loss)* for the three months ended December 31, 2011 also included the amortization of amounts related to terminated hedges.

The gain recognized in other comprehensive income for the three months ended December 31, 2010 was attributable primarily to gains realized on interest rate swaps that were entered into in the first quarter of 2011 in anticipation of issuing $700,000 of 10-year 3.25% notes and $300,000 of 30-year 5.00% notes. These swaps were designated as hedges of the variability in interest payments attributable to changes in the benchmark interest rates against which the long-term debt was priced and they were terminated at a gain in November 2010, concurrent with the pricing of the notes.

The realized gains and losses on the swaps terminated in both November 2011 and 2010 will be amortized over the lives of the notes with an offset to interest expense.

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Fair value hedge

The location and amount of gains or losses on the hedged fixed rate debt attributable to changes in the market interest rates and the offsetting gain (loss) on the related interest rate swap were as follows:

	Gain/(Loss) on Swap		Gain/(Loss) on Borrowings	
Income Statement	Three Months Ended December 31,		Three Months Ended December 31,	
Classification	2011	2010	2011	2010
Other income (expense) (A)	$ (1,155)	$ (1,730)	$ 1,155	$ 1,730

(A) Changes in the fair value of the interest rate swap offset changes in the fair value of the fixed rate debt due to changes in market interest rates. There was no hedge ineffectiveness relating to this interest rate swap.

Undesignated hedges

The location and amount of gains and losses recognized in income on derivatives not designated for hedge accounting were as follows:

		Amount of Gain (Loss) Recognized in Income on Derivatives Three Months Ended December 31,	
Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	2011	2010
Forward exchange contracts (B)	Other income (expense)	$ (2,864)	$ (17,501)

(B) The gains and losses on forward contracts and currency options utilized to hedge the intercompany transactional foreign exchange exposures are largely offset by gains and losses on the underlying hedged items in *Other income (expense)*.

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Note 11 Financial Instruments and Fair Value Measurements

The fair values of financial instruments, including those not recognized on the statement of financial position at fair value, carried at December 31, 2011 and September 30, 2011 are classified in accordance with the fair value hierarchy in the tables below:

		Basis of Fair Value Measurement		
	December 31, 2011 Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Institutional money market investments	$ 1,644,568	$ 1,644,568	$	$
Forward exchange contracts	6,417		6,417	
Interest rate swap	4,804		4,804	
Total Assets	$ 1,655,789	$ 1,644,568	$ 11,221	$
Liabilities				
Forward exchange contracts	$ 11,491	$	$ 11,491	$
Long-term debt	3,972,194		4,394,985	
Total Liabilities	$ 3,983,685	$	$ 4,406,476	$

		Basis of Fair Value Measurement		
	September 30, 2011 Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Institutional money market investments	$ 590,515	$ 590,515	$	$
Forward exchange contracts	37,198		37,198	
Interest rate swap	5,959		5,959	
Total Assets	$ 633,672	$ 590,515	$ 43,157	$
Liabilities				
Forward exchange contracts	$ 39,589	$	$ 39,589	$
Interest rate swaps	69,103		69,103	
Long-term debt	2,484,665		2,839,697	
Total Liabilities	$ 2,593,357	$	$ 2,948,389	$

The Company s institutional money market accounts permit daily redemption and the fair values of these investments are based upon the quoted prices in active markets provided by the holding financial institutions. The Company s remaining cash equivalents were $551,710 and $584,767

at December 31, 2011 and September 30, 2011, respectively. Short-term investments are held to their maturities and are carried at cost, which approximates fair value. The cash equivalents consist of liquid investments with a maturity of three months or less and the short-term investments consist of instruments with maturities greater than three months and less than one year. The Company measures the fair value of forward exchange contracts and currency options using an income approach with significant observable inputs, specifically spot currency rates, market designated forward currency prices and a discount rate. The fair value of interest rate

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swaps is provided by the financial institutions that are counterparties to these arrangements. The fair value of long-term debt is based upon quoted prices in active markets for similar instruments.

The Company s policy is to recognize any transfers into fair value measurement hierarchy levels and transfers out of levels at the beginning of each reporting period. There were no transfers in and out of Level 1, Level 2 or Level 3 measurements for the three months ended December 31, 2011.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Company Overview

Becton, Dickinson and Company (BD) is a global medical technology company engaged principally in the development, manufacture and sale of medical devices, instrument systems and reagents used by healthcare institutions, life science researchers, clinical laboratories, the pharmaceutical 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.

Overview of Financial Results and Financial Condition

First quarter revenues of $1.888 billion represented an increase of 2.5% from the same period a year ago, and reflected volume increases of approximately 3.7%, partially offset by price decreases of approximately 1.3%. Foreign exchange translation had a minimal impact on revenue growth in the first quarter of 2012. During the quarter, we experienced weaker sales in the U.S. due to an uncertain research spending environment and increased pricing pressures compared to the prior year s period. International revenues reflected continued strength in emerging market sales and strong sales of safety-engineered products. Sales in the United States of safety-engineered devices in the first quarter of 2012 were $291 million, representing a 2.4% increase from the prior year s period. International sales of safety-engineered devices of $197 million in the first quarter of 2012 grew 16.4% over the prior year s period, including an estimated $1 million, or less than 1%, unfavorable impact due to foreign currency translation. International safety-engineered device revenue growth continues to be driven by strong growth in the Medical segment, with the largest growth in emerging markets, including China and Latin America.

The healthcare industry is facing a challenging economic environment. The current economic conditions and other circumstances have resulted in pricing pressures for some of our products, and we expect this pricing pressure to continue through fiscal year 2012. In addition, healthcare utilization in the U.S. and Western Europe remains constrained due to decreases in government and private healthcare spending, resulting in less demand for our products, and we also expect these conditions to continue through fiscal 2012. We are also experiencing increased raw material costs.

We continue to invest in research and development spending, geographic expansion, and new product promotions to drive further revenue and profit growth. 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 across our business segments, and continue to improve operating efficiency and organizational effectiveness. In addition to the economic conditions in the United States and elsewhere, numerous other factors can affect our ability to achieve these goals including, without limitation, increased competition and healthcare reform initiatives. For example, the U.S. healthcare reform law contains certain tax provisions that will affect BD. The most significant impact is the medical device excise tax, which imposes a 2.3% tax on certain U.S. sales of medical devices, beginning in January 2013. Sales of BD products that we estimate to be subject to this tax represented about 80% of BD s total U.S. revenues in fiscal year 2011.

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Our financial condition remains strong, with cash flows from continuing operating activities totaling $313 million in the first three months of 2012. In November 2011, we issued $500 million of 5-year 1.75% notes and $1 billion of 10-year 3.125% notes, as discussed further below. Also, we continued to return value to our shareholders as we repurchased $400 million of our common stock and paid cash dividends of $96 million in the first quarter of 2012.

We face currency exposure each reporting period that arises from translating the results of our worldwide operations to the U.S. dollar at exchange rates that fluctuate from the beginning of such period. We evaluate our results of operations on both an as reported and a foreign currency-neutral basis, which excludes the impact of fluctuations in foreign currency exchange rates. We calculate foreign currency-neutral percentages by converting our current-period local currency financial results using the prior-period foreign currency exchange rates and comparing these adjusted amounts to our current-period reported results.

From time to time, we may purchase forward contracts and options to partially protect against adverse foreign exchange rate movements. Gains or losses on our derivative instruments are largely offset by the gains or losses on the underlying hedged transactions. We do not enter into derivative instruments for trading or speculative purposes. As of December 31, 2011, we had not entered into contracts to hedge cash flows in fiscal year 2012 and revenues for the first quarter of fiscal year 2012 reflected a relatively immaterial favorable impact from foreign currency translation.

Results of Operations

Revenues

Refer to Note 5 in the Notes to Condensed Consolidated Financial Statements for segment financial data.

Medical Segment

First quarter revenues of $950 million represented an increase of $24 million, or 2.6%, compared with the prior year s quarter, including an immaterial impact due to foreign currency translation.

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The following is a summary of first quarter Medical revenues by organizational unit:

	Three months ended December 31,			
(millions of dollars)	2011	2010	Total Change	Estimated Foreign Exchange Impact
Medical Surgical Systems	$ 522	$ 513	1.9%	(0.2)%
Diabetes Care	226	214	5.6%	0.1%
Pharmaceutical Systems	202	200	1.1%	0.5%
Total Revenues	$ 950	$ 927	2.6%	0.0%

Medical segment revenue growth was primarily driven by Diabetes Care, with continued strong sales of pen needles. The segment s revenue growth also reflected solid growth of safety-engineered product sales within Medical Surgical Systems. Pharmaceutical Systems revenue growth in the current year s period reflected strong U.S. sales due to biotech sampling. This growth was partially offset by adjustments in customer inventory levels and the unfavorable comparison to the prior year s period which included sales from the launch of a low molecular weight heparin product. These unfavorable impacts lowered Pharmaceutical Systems revenue growth by approximately 3 percentage points. Global sales of safety-engineered products were $240 million, as compared with $213 million in the prior year s quarter, and included a relatively immaterial favorable impact due to foreign currency translation.

Medical operating income for the first quarter was $254 million, or 26.7% of Medical revenues, compared with $276 million, or 29.7% of segment revenues, in the prior year s quarter. Gross profit margin was lower in the current quarter than the first quarter of 2011 due to amortization of intangibles associated with the Carmel Pharma, AB (Carmel) acquisition that occurred in the fourth quarter of fiscal year 2011, unfavorable pricing impacts on certain product lines and increases in certain raw material costs. These unfavorable impacts on gross profit margin were partially offset by lower manufacturing costs from Project ReLoCo, a global, cross-functional business initiative to drive sustained low-cost capability primarily benefitting Medical Surgical Systems. See further discussion on gross profit margin below. Selling and administrative expense as a percent of Medical revenues in the first quarter of 2012 was higher than in the first quarter of 2011, primarily due to increased spending for expansion in emerging markets and higher expenses resulting from the Carmel acquisition as compared with the prior year s period. Research and development expenses for the quarter increased $2 million, or 4% above the prior year s period, reflecting ongoing investment in new products and platforms.

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Diagnostics Segment

First quarter revenues of $621 million represented an increase of $19 million, or 3.2%, over the prior year s quarter, including an estimated $1 million, or approximately 0.1%, unfavorable impact due to foreign currency translation.

The following is a summary of first quarter Diagnostics revenues by organizational unit:

	Three months ended December 31,			
(millions of dollars)	2011	2010	Total Change	Estimated Foreign Exchange Impact
Preanalytical Systems	$ 317	$ 313	1.3%	(0.4)%
Diagnostic Systems	304	289	5.2%	0.2%
Total Revenues	$ 621	$ 602	3.2%	(0.1)%

Diagnostics segment revenue growth was primarily driven by sales of our Women s Health and Cancer platform, strong sales growth of our microbiology platform as well as sales of Preanalytical Systems safety-engineered products. Global sales of safety-engineered products in the Preanalytical Systems unit totaled $248 million, compared with $240 million in the prior year s quarter, and included an estimated $1 million unfavorable impact due to foreign currency translation.

Diagnostics operating income for the first quarter was $165 million, or 26.6% of Diagnostics revenues, compared with $161 million, or 26.8% of segment revenues, in the prior year s quarter. Gross profit margin was lower in the current quarter than in the prior year s quarter due to unfavorable pricing impacts on certain product lines and increases in certain raw material costs. See further discussion on gross profit margin below. Selling and administrative expense as a percentage of Diagnostics revenues in the first quarter of 2012 was higher than in the first quarter of 2011 primarily due to increased spending for expansion in emerging markets and spending for new product launches. Research and development expenses in the first quarter of 2012 decreased by $4 million compared with the prior year s period reflecting the timing of expenses. Diagnostics research and development spending for the total fiscal year 2012 is expected to be slightly below, as a percentage of revenues, the spending in total fiscal year 2011.

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Biosciences Segment

First quarter revenues of $317 million represented an increase of $3 million, or 0.9%, over the prior year s quarter, including an estimated $2 million, or 0.6%, favorable impact due to foreign currency translation.

The following is a summary of first quarter Biosciences revenues by organizational unit:

	Three months ended December 31,			
(millions of dollars)	2011	2010	Total Change	Estimated Foreign Exchange Impact
Cell Analysis	$ 244	$ 241	1.2%	0.5%
Discovery Labware	73	73	(0.1)%	1.1%
Total Revenues	$ 317	$ 314	0.9%	0.6%

Biosciences segment revenues in the current year s quarter were relatively flat compared with the prior year s period, reflecting reduced research funding in the U.S as well as reduced demand for high-end instruments.

Biosciences operating income for the first quarter was $83 million, or 26.2% of Biosciences revenues, compared with $90 million, or 28.8% of segment revenues, in the prior year s quarter. Gross profit margin, as a percent of Biosciences revenue, was lower in the current quarter than the first quarter of 2011 primarily due to amortization of intangibles associated with capitalized software and the Accuri Cytometers, Inc. (Accuri) acquisition that occurred in the second fiscal quarter of 2011. These unfavorable variances from the prior year s period were partially offset by lower manufacturing start-up costs. See further discussion on gross profit margin below. Selling and administrative expense as a percent of Biosciences revenues for the quarter was higher compared with the prior year s quarter and reflected increased spending for expansion in emerging markets and the effect of moderate revenue growth in the current year s period as compared with the prior year s period. Research and development spending in the quarter was relatively flat compared with the spending in the prior year s period.

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Geographic Revenues

Revenues in the United States for the first quarter of $829 million were flat as compared with the prior year s quarter. Growth in U.S. Medical revenues reflected strong sales of Pharmaceutical Systems and Diabetes Care products, which were partially offset as a result of pricing pressures for Medical Surgical products. U.S. Diagnostics revenue growth was affected by lower testing volumes impacting Preanalytical Systems. Biosciences revenue in the United States declined in the current year s quarter compared with the prior year s quarter due to reduced research funding for reagents as well as reduced demand for high-end instruments.

International revenues for the first quarter of $1.059 billion represented an increase of $45 million, or 4.5%, over the prior year s quarter, including an estimated $1 million, or 0.1%, favorable impact due to foreign currency translation. International revenues for the first quarter of 2012 reflected growth from all segments, including growth attributable to emerging markets and strong sales of safety-engineered products.

Gross Profit Margin

Gross profit margin was 50.9% for the first quarter, compared with 53.0% for the comparable prior-year period. The decrease in gross profit margin reflected estimated unfavorable impacts of 200 basis points relating to operating performance and 10 basis points relating to foreign currency translation. Operating performance was adversely affected by 190 basis points due to unfavorable pricing impacts on certain product lines, decreased sales of products with higher gross margins and amortization of intangibles associated with the fiscal year 2011 Accuri and Carmel acquisitions. Operating performance was also unfavorably impacted by 70 basis points due to increases in certain raw material costs. The unfavorable impacts on operating performance for the current year s period were partially offset by an estimated 60 basis points due to lower manufacturing costs from continuous improvement projects, such as Project ReLoCo, and lower manufacturing start-up costs.

Selling and Administrative Expense

Selling and administrative expense was 25.9% of revenues for the first quarter, compared with 24.3% for the prior year s period. Aggregate expenses for the first quarter reflected an increase in core spending of $41 million, primarily relating to expansion of our business in emerging markets and higher expenses resulting from the Carmel acquisition. Aggregate expenses for the first quarter also reflected an increase in legal costs.

Research and Development Expense

Research and development expense was $114 million, or 6.0% of revenues, for the first quarter, representing a decrease of 1.4% compared with the prior year s amount of $116 million, or 6.3% of revenues. This decrease in research and development expenses compared with the prior year s period reflected the timing of expenses. Research and development spending for the total fiscal year 2012 is expected to be comparable, as a percentage of revenues, with the spending in total fiscal year 2011.

Non-Operating Expense and Income

Interest income of $15 million in the first quarter of 2012 was flat compared with the prior year s period, reflecting no significant change in average interest rates and investment levels. Interest expense was $29 million in the first quarter, compared with $16 million in the prior year s period. This increase reflects higher levels of long-term fixed-rate debt, partially offset by lower average interest rates on this debt.

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Income Taxes

The income tax rate was 23.6% for the first quarter, compared with the prior year s rate of 23.0%. The income tax rate in the first quarter of 2012 reflected the favorable impact of various tax settlements in multiple jurisdictions. The income tax rate in the first quarter of 2011 reflected the favorable impact due to the timing of certain tax benefits resulting from the retroactive extension of the U.S. research tax credit and a European restructuring transaction.

Income from Continuing Operations and Diluted Earnings Per Share from Continuing Operations

Income from continuing operations and diluted earnings per share from continuing operations for the first quarter of 2012 were $263 million and $1.21, respectively. Income from continuing operations and diluted earnings per share from continuing operations for the prior year s first quarter were $314 million and $1.35, respectively. The current quarter s earnings reflected an estimated $0.01 unfavorable impact due to foreign currency translation.

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 in 2012. Normal operating needs in fiscal year 2012 include working capital, capital expenditures, cash dividends and common stock repurchases. Net cash provided by continuing operating activities was $313 million during the first three months of 2012, compared with $470 million in the same period in 2011. The current period change in operating assets and liabilities was a net use of cash and primarily reflected higher levels of inventory and lower levels of accounts receivable, accounts payable and accrued expenses. Net cash provided by continuing operating activities in the first quarter of 2012 was reduced by changes in the pension obligation resulting primarily from discretionary cash contributions of approximately $100 million.

Net cash used for continuing investing activities for the first three months of the current year was $252 million, compared with $567 million in the prior-year period. Capital expenditures were $104 million in the first three months of 2012 and $80 million in the same period in 2011. The increase in cash used for purchases of investments in the first quarter of 2011 reflected the extension of maturities of certain highly liquid investments beyond three months.

Net cash provided by continuing financing activities for the first three months of the current year was $959 million, compared with $136 million in the prior-year period. The current period s net cash provided by continuing financing activities includes the proceeds from $500 million of 5-year 1.75% notes and $1 billion of 10-year 3.125% notes issued on November 3, 2011. The net proceeds from these issuances are expected to be used for general corporate purposes, which may include funding for working capital, capital expenditures, repurchases of our common stock and acquisitions. The prior period s cash provided by continuing financing activities included the proceeds from $700 million of 10-year 3.25% notes and $300 million of 30-year 5.00% notes issued on November 8, 2010. For the first three months of the current year, we repurchased approximately 5.5 million shares of our common stock for $400 million, compared with approximately 10.3 million shares of our common stock for $837 million in the prior-year period. Aggregate common stock repurchases are estimated to be approximately $1.5 billion for the full fiscal year 2012. A total of approximately 22.7 million common shares remain available for purchase at December 31, 2011 under the Board of Directors September 2010 and July 2011 repurchase authorizations, subject to market conditions.

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As of December 31, 2011, total debt of $4.2 billion represented 46.2% of total capital (shareholders equity, net non-current deferred income tax liabilities, and debt), versus 35.8% at September 30, 2011. Short-term debt decreased to 5% of total debt at the end of December 31, 2011, from 9% at September 30, 2011.

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 December 31, 2011. We have available a $1 billion syndicated credit facility with an expiration date in December 2012. This credit facility, under which there were no borrowings outstanding at December 31, 2011, 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 has ranged from 16-to-1 to 27-to-1. In addition, we have informal lines of credit outside the United States.

Government Receivables

Accounts receivable balances include sales to government-owned or government-supported healthcare facilities. Because these customers are government-owned or supported, we could be impacted by declines in sovereign credit ratings or by defaults in these countries.

We continually evaluate other government receivables, particularly in Italy, Spain and other parts of Western Europe, for potential collection risks associated with the availability of government funding and reimbursement practices. We believe the current reserves related to government receivables are adequate and this concentration of credit risk is not expected to have a material adverse impact on our financial position or liquidity.

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 filings with the Securities and Exchange Commission, press releases, and our reports to shareholders. Forward-looking statements may be identified by the use of words such as plan, expect, believe, intend, will, anticipate, estimate and o 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

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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 after the date they are made, whether as a result of new information, future events and developments or otherwise, except as required by applicable law or regulations.

The following are some important factors that could cause our actual results to differ from our expectations in any forward-looking statements. For further discussion of certain of these factors, see Item IA. Risk Factors in our 2011 Annual Report on Form 10-K.

The current conditions in the global economy and financial markets, and the potential adverse effect on the cost of operating our business, the demand for our products and services, prices for our products and services due to increases in pricing pressure, or our ability to produce our products, including the impact on developing countries. Also, the increase in sovereign debt during the financial crisis as a result of governmental intervention in the world economy poses additional risks to the global financial system and economic recovery. In addition, deficit reduction efforts or other adverse changes in the availability of government funding for healthcare and research, particularly in U.S. and Western Europe, could result in less demand for our products and additional pricing pressures, as well as create potential collection risks associated with such sales.

The consequences of the healthcare reform in the United States, which implemented an excise tax on U.S. sales of certain medical devices, and which could result in reduced demand for our products, increased pricing pressures or otherwise adversely affect BD s business.

Future healthcare reform in the countries in which we do business may also involve changes in government pricing and reimbursement policies or other cost containment reforms.

Changes in domestic and foreign healthcare industry practices that result in a reduction in procedures using our products or increased pricing pressures, including the continued consolidation among healthcare providers and trends toward managed care and healthcare cost containment (including changes in reimbursement practices by third party payors).

Our ability to penetrate developing and emerging markets, which also depends on local 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.

Regional, national and foreign economic factors, including inflation, deflation, and fluctuations in interest rates and, in particular, foreign currency exchange rates, and the potential effect on our revenues, expenses, margins and credit ratings.

New or changing laws and regulations affecting our domestic and foreign operations, or changes in enforcement practices, including laws relating to trade, monetary and fiscal policies, taxation (including tax reforms that could adversely impact multinational corporations), sales practices, price controls and licensing and regulatory requirements

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for new products and products in the postmarketing phase. In particular, the U.S. and other countries may impose new requirements regarding registration, labeling or prohibited materials that may require us to re-register products already on the market or otherwise impact our ability to market our products. Environmental laws, particularly with respect to the emission of greenhouse gases, are also becoming more stringent throughout the world, which may increase our costs of operations or necessitate changes in our manufacturing plants or processes or those of our suppliers, or result in liability to BD.

Product efficacy or safety concerns regarding our products resulting in product recalls, regulatory action on the part of the U.S. Food and Drug Administration (FDA) or foreign counterparts, declining sales and product liability claims, particularly in light of the current regulatory environment, including increased enforcement activity by the FDA.

Competitive factors that could adversely affect our operations, including new product introductions (for example, new forms of drug delivery) by our current or future competitors, increased pricing pressure due to the impact of low-cost manufacturers as certain competitors have established manufacturing sites or have contracted with suppliers in low-cost manufacturing locations as a means to lower their costs, patents attained by competitors (particularly as patents on our products expire), and new entrants into our markets.

The effects of events that adversely impact our ability to manufacture our products (particularly where production of a product line is concentrated in one or more plants) or our ability to source materials or components from suppliers that are needed for such manufacturing, including pandemics, natural disasters, environmental factors or cyber attacks.

Fluctuations in the cost and availability of oil-based resins and other raw materials, as well as certain sub-assemblies and finished goods, 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.

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 infringement claims by competitors with respect to patents or other intellectual property rights, all of which can preclude or delay commercialization of a product. Delays in obtaining necessary approvals or clearances from the FDA or other regulatory agencies or changes in the regulatory process (including potential 510(k) reforms) may also delay product launches and increase development costs.

Fluctuations in the demand for products we sell to pharmaceutical companies that are used to manufacture, or are sold with, the products of such companies, as a result of funding constraints, consolidation or otherwise.

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Fluctuations in university or U.S. and international governmental funding and policies for life sciences research.

Our ability to achieve our projected level or mix of product sales. Our earnings forecasts are based on projected volumes and sales of many product types, some of which are more profitable than others.

Our ability to implement our ongoing upgrade of our enterprise resource planning system, as any delays or deficiencies in the design and implementation of our upgrade could adversely affect our business.

Pending and potential future litigation or other proceedings adverse to BD, including antitrust claims, product liability claims and patent infringement claims, and the availability or collectibility of insurance relating to any such claims.

The effect of adverse media exposure or other publicity regarding BD s business or operations, including the effect on BD s reputation or demand for its products.

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.

The effect of market fluctuations on the value of assets in BD s pension plans and on actuarial interest rate and asset return assumptions, which could require BD to make additional contributions to the plans or increase our pension plan expense.

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, including the recent civil unrest in parts of the Middle East.

The impact of business combinations, including any volatility in earnings relating to acquired in-process research and development assets, and our ability to successfully integrate any business we may acquire.

Our ability to obtain the anticipated benefits of restructuring programs, if any, that we may undertake.

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.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in information reported since the end of the fiscal year ended September 30, 2011.

Item 4. Controls and Procedures

An evaluation was carried out by BD s management, with the participation of BD s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of BD s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of December 31, 2011. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were, as of the end of the period covered by this report, effective and designed to ensure that material information relating to BD and its consolidated subsidiaries would be made known to them by others within these entities. There were no changes in our internal control over financial reporting during the fiscal quarter ended December 31, 2011 identified in connection with the above-referenced evaluation that have materially affected, or are reasonably likely to materially affect, BD s internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are involved, both as a plaintiff and a defendant, in various legal proceedings which arise in the ordinary course of business, including product liability and environmental matters as set forth in our 2011 Annual Report on Form 10-K and in Note 4 of the Notes to Condensed Consolidated Financial Statements in this report. Since September 30, 2011, the following developments have occurred with respect to the legal proceedings in which we are involved:

Retractable Technologies, Inc. (RTI)

RTI has advised the court of its intention to seek an appeal of the Federal Circuit Court of Appeals patent ruling to the United States Supreme Court, and has until March 26, 2012, to file for such appeal. The trial on RTI s antitrust and false advertising claims has been postponed pending resolution of RTI s appeal of the patent ruling.

Summary

Given the uncertain nature of litigation generally, BD 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 BD is a party. In accordance with U.S. generally accepted accounting principles, BD 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, BD 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 BD s consolidated results of operations and consolidated cash flows.

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Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Part 1, Item 1A, of our 2011 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The table below sets forth certain information regarding our purchases of common stock of BD during the quarter ended December 31, 2011.

Issuer Purchases of Equity Securities

For the three months ended December 31, 2011	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (2)
October 1 31, 2011	3,370	$ 74.16		28,151,313
November 1 30, 2011	1,939,766	$ 73.44	1,935,346	26,215,967
December 1 31, 2011	3,529,951	$ 73.09	3,526,424	22,689,543
Total	5,473,087	$ 73.22	5,461,770	22,689,543

(1) Includes 4,719 shares purchased during the quarter in open market transactions by the trust relating to BD s Deferred Compensation and Retirement Benefit Restoration Plan and 1996 Directors Deferral Plan, and 6,598 shares delivered to BD in connection with stock option exercises.

(2) The repurchases were made pursuant to a repurchase program covering 21 million shares authorized by the Board of Directors on September 28, 2010, for which there is no expiration date. The Board authorized a repurchase program covering 18 million additional shares on July 26, 2011, for which there is no expiration date.

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Item 3. Defaults Upon Senior Securities
Not applicable.

Item 4. Reserved
Not applicable.

Item 5. Other Information
Not applicable.

Item 6. Exhibits

Exhibit 31	Certifications of Chief Executive Officer and Chief Financial Officer, pursuant to SEC Rule 13a - 14(a).
Exhibit 32	Certifications of Chief Executive Officer and Chief Financial Officer, pursuant to Rule 13a - 14(b) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code.
Exhibit 101	The following materials from this report, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) Notes to Condensed Consolidated Financial Statements.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Becton, Dickinson and Company
(Registrant)

Dated: February 7, 2012

/s/ David V. Elkins
David V. Elkins
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ Suketu Upadhyay
Suketu Upadhyay
Senior Vice President and Controller
(Principal Accounting Officer)

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INDEX TO EXHIBITS

Exhibit Number	Description of Exhibits
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