BECTON DICKINSON & CO
Form 10-K
November 25, 2015
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
COMMISSION FILE NUMBER 1-4802
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 (Address of principal executive offices)	07417-1880 (Zip code)

(201) 847-6800
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $1.00	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No þ
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 þ No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨
Indicate by check mark 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.
Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
(Do not check if a smaller reporting company)
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No þ

As of March 31, 2015, the aggregate market value of the registrant's outstanding common stock held by non-affiliates of the registrant was approximately $30,013,657,226.

Table of Contents

As of October 31, 2015, 210,736,542 shares of the registrant's common stock were outstanding.

Documents Incorporated by Reference

Portions of the registrant's Proxy Statement for the Annual Meeting of Shareholders to be held January 26, 2016 are incorporated by reference into Part III hereof.

Table of Contents

TABLE OF CONTENTS

Table of Contents

PART I

Item 1. Business.

General

Becton, Dickinson and Company (also known as "BD") was incorporated under the laws of the State of New Jersey in November 1906, as successor to a New York business started in 1897. BD's executive offices are located at 1 Becton Drive, Franklin Lakes, New Jersey 07417-1880, and its telephone number is (201) 847-6800. All references in this Form 10-K to "BD" refer to Becton, Dickinson and Company and its domestic and foreign subsidiaries, unless otherwise indicated by the context.

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. We provide customer solutions that are focused on improving medication management and patient safety; supporting infection prevention practices; equipping surgical and interventional procedures; improving drug delivery; aiding anesthesiology and respiratory care; enhancing the diagnosis of infectious diseases and cancers; advancing cellular research and applications; and supporting the management of diabetes.

On March 17, 2015, BD completed the acquisition of CareFusion Corporation ("CareFusion"), a global medical technology company with a comprehensive portfolio of products in the areas of medication management, infection prevention, operating room and procedural effectiveness, and respiratory care. The CareFusion acquisition positions BD as a global leader in medication management. CareFusion product lines are included in our Medical Segment, which is discussed below.

Business Segments

BD's operations consist of two worldwide business segments: BD Medical and BD Life Sciences. Information with respect to BD's business segments is included in Note 6 to the consolidated financial statements contained in Item 8, Financial Statements and Supplementary Data, and is incorporated herein by reference.

BD Medical

BD Medical produces a broad array of medical devices that are used in a wide range of healthcare settings. The primary customers served by BD Medical are hospitals and clinics; physicians' office practices; consumers and retail pharmacies; governmental and nonprofit public health agencies; pharmaceutical companies; and healthcare workers. BD Medical consists of the following business units:

Business Unit	Principal Product Lines
Diabetes Care	Syringes and pen needles for the injection of insulin and other drugs used in the treatment of diabetes.
Medication and Procedural Solutions	Needles, syringes and intravenous catheters for medication delivery (including safety-engineered and auto-disable devices); prefilled IV flush syringes; regional anesthesia needles and trays; sharps disposal containers; closed-system transfer devices; skin antiseptic products; surgical and laproscopic instrumentation; and generic prefilled injectables.
Medication Management Solutions	Intravenous medication safety and infusion therapy delivery systems, including infusion pumps and dedicated disposables; and automated medication dispensing and supply management systems.
Pharmaceutical Systems	Prefillable drug delivery systems provided to pharmaceutical companies and sold to end-users as drug/device combinations.
Respiratory Solutions	Respiratory ventilation and diagnostics equipment and consumables used during respiratory diagnostics and therapy; and consumables used for patient monitoring and anesthesia delivery.

BD Life Sciences

BD Life Sciences provides products for the safe collection and transport of diagnostics specimens, and instruments and reagent systems to detect a broad range of infectious diseases, healthcare-associated infections (“HAIs”) and cancers. In addition, BD Life Sciences produces research and clinical tools that facilitate the study of cells, and the components of cells, to gain a better understanding of normal and disease processes. That information is used to aid the discovery and development of new drugs and vaccines, and to improve the diagnosis and management of diseases. The primary customers served by BD Life Sciences are hospitals, laboratories and clinics; blood banks; healthcare workers; public health agencies; physicians’ office practices; academic and government institutions; and pharmaceutical and biotechnology companies. BD Life Sciences consists of the following business units:

Table of Contents

Business Unit	Principal Product Lines
Preanalytical Systems	Integrated systems for specimen collection; safety-engineered blood collection products and systems.
Diagnostic Systems	Automated blood culturing and tuberculosis culturing systems; molecular testing systems for infectious diseases and women's health; microorganism identification and drug susceptibility systems; liquid-based cytology systems for cervical cancer screening; rapid diagnostic assays; microbiology laboratory automation; and plated media.
Biosciences	Fluorescence-activated cell sorters and analyzers; monoclonal antibodies and kits for performing cell analysis; reagent systems for life science research; molecular indexing and next-generation sequencing sample preparation for genomics research; clinical oncology, immunological (HIV) and transplantation diagnostic/monitoring reagents and analyzers; and cell culture media supplements for biopharmaceutical manufacturing.

Acquisitions

CareFusion Corporation. As previously mentioned, on March 17, 2015, pursuant to a definitive agreement entered into on October 5, 2014, BD acquired a 100% interest in CareFusion, a global medical technology company with a comprehensive portfolio of products in the areas of medication management, infection prevention, operating room and procedural effectiveness, and respiratory care. The fair value of consideration transferred was $12.538 billion in the form of cash and BD common stock.

Other Transactions. During the first quarter of fiscal year 2015, BD acquired GenCell Biosystems, a privately-held Irish biotechnology company that has developed proprietary technologies that address key biological analysis protocols including library preparation of Next Generation Sequencing and genotyping applications. During the second quarter of fiscal year 2015, BD acquired CRISI Medical Systems, Inc., a San Diego-based medical technology company dedicated to improving the safety and delivery of IV injectable medications. During the third quarter of fiscal year 2015, BD acquired the ARX group of companies, a leading pharmacy automation distributor in Western Europe. During the fourth quarter of fiscal year 2015, BD acquired Cellular Research, Inc., a biotechnology research and development company that has developed advanced tools for massively parallel single cell genetic analysis based on their proprietary Molecular Indexing™ technology to enable gene expression profiles from single cells.

Additional information regarding these acquisitions is contained in Note 9 to the consolidated financial statements contained in Item 8, Financial Statements and Supplementary Data, which is incorporated herein by reference.

International Operations

BD's products are manufactured and sold worldwide. For reporting purposes, we organize our operations outside the United States as follows: Europe, EMA (which includes the Commonwealth of Independent States, the Middle East and Africa); Greater Asia (which includes Japan and Asia Pacific); Latin America (which includes Mexico, Central America, the Caribbean and South America); and Canada. The principal products sold by BD outside the United States are hypodermic needles and syringes; insulin syringes and pen needles; BD Hypak™ brand prefillable syringe systems; infusion therapy products including Alaris® infusion pumps; pharmacy automation equipment; respiratory equipment and disposable products; BD Vacutainer™ brand blood collection products; diagnostic systems and laboratory equipment and products; flow cytometry instruments and reagents. BD has manufacturing operations outside the United States in Bosnia and Herzegovina, Brazil, Canada, China, Dominican Republic, France, Germany, Hungary, India, Ireland, Italy, Japan, Mexico, the Netherlands, Singapore, Spain, and the United Kingdom.

Geographic information with respect to BD's operations is included under the heading "Geographic Information" in Note 6 to the consolidated financial statements included in Item 8, Financial Statements and Supplementary Data, and is incorporated herein by reference.

Foreign economic conditions and exchange rate fluctuations have caused the profitability related to foreign revenues to fluctuate more than the profitability related to domestic revenues. BD believes its activities in some countries

outside the United States involve greater risk than its domestic business due to the factors cited herein, as well as the economic environment, local commercial and economic policies and political uncertainties. See further discussion of this risk in Item 1A. Risk Factors.

Distribution

BD’s products are marketed in the United States and internationally through independent distribution channels and directly to end-users by BD and independent sales representatives. Order backlog is not material to BD’s business inasmuch as orders for BD products generally are received and filled on a current basis, except for items temporarily out of stock. BD’s worldwide sales are not generally seasonal, with the exception of certain medical devices in the Medication and Procedural

Table of Contents

Solutions and Respiratory Solutions Business Units, and respiratory and flu diagnostic products in the Diagnostic Systems Business Unit, which relate to seasonal diseases such as influenza.

Raw Materials

BD purchases many different types of raw materials, including plastics, glass, metals, textiles, paper products, agricultural products, electronic and mechanical sub-assemblies and various biological, chemical and petrochemical products. BD seeks to ensure continuity of raw material supply by securing multiple options for sourcing. However, there are situations where raw materials are only available from one supplier, which are referred to as sole sourced. The use of sole sourced materials may be due to sourcing of proprietary and/or patented technology and processes that are intended to provide a unique market differentiation to our product. In other cases, while a raw material can be sourced from multiple manufacturers, only one supplier is qualified due to quality assurance, cost or other considerations. In order to provide alternate sources of raw materials, BD must complete a rigorous qualification process, which most often includes completion of regulatory registration and approval. If clinical trials are not required, this qualification process can take 3-18 months depending on the criticality of the change. When clinical trials are required, this process may lengthen the qualification phase from one to three years. BD continuously assesses its sole sourced raw materials and maintains business continuity plans with our suppliers. BD's continuity plans may include securing secondary supply with alternate suppliers, qualification of alternate manufacturing facilities, maintaining contingency stock, internal development of supply and establishment of technology escrow accounts. While BD works closely with its suppliers, there may nonetheless be events that cause supply interruption, reduction or termination that adversely impacts BD's ability to manufacture and sell certain products.

Research and Development

BD conducts its research and development ("R&D") activities at its operating units and at BD Technologies in Research Triangle Park, North Carolina. The majority of BD's R&D activities are conducted in North America. Outside North America, BD conducts R&D activities in China, France, India, Ireland and Singapore. BD also collaborates with certain universities, medical centers and other entities on R&D programs, and retains individual consultants to support its efforts in specialized fields. BD spent approximately $632 million, $550 million, and $494 million on research and development during the fiscal years ended September 30, 2015, 2014, and 2013, respectively. Post-acquisition R&D spend from legacy CareFusion businesses was $115 million in fiscal year 2015.

Intellectual Property and Licenses

BD owns significant intellectual property, including patents, patent applications, technology, trade secrets, know-how, copyrights and trademarks in the United States and other countries. BD is also licensed under domestic and foreign patents, patent applications, technology, trade secrets, know-how, copyrights and trademarks owned by others. In the aggregate, these intellectual property assets and licenses are of material importance to BD's business. BD believes, however, that no single patent, technology, trademark, intellectual property asset or license is material in relation to BD's business as a whole, or to any business segment.

Competition

BD operates in the increasingly complex and challenging medical technology marketplace. Technological advances and scientific discoveries have accelerated the pace of change in medical technology, the regulatory environment of medical products is becoming more complex and vigorous, and economic conditions have resulted in a challenging market. Companies of varying sizes compete in the global medical technology field. Some are more specialized than BD with respect to particular markets, and some have greater financial resources than BD. New companies have entered the field, particularly in the areas of molecular diagnostics, safety-engineered devices and in the life sciences, and established companies have diversified their business activities into the medical technology area. Other firms engaged in the distribution of medical technology products have become manufacturers of medical devices and instruments as well. Acquisitions and collaborations by and among companies seeking a competitive advantage also affect the competitive environment. In addition, the entry into the market of manufacturers located in China and other low-cost manufacturing locations are creating increased pricing pressures, particularly in developing markets. Some competitors have also established manufacturing sites or have contracted with suppliers located in these countries as a means to lower their costs.

BD competes in this evolving marketplace on the basis of many factors, including price, quality, innovation, service, reputation, distribution and promotion. The impact of these factors on BD's competitive position varies among BD's various product offerings. In order to remain competitive in the industries in which it operates, BD continues to make investments in research and development, quality management, quality improvement, product innovation and productivity improvement in support of its core strategy - to increase revenue growth by focusing on products that deliver greater benefits to patients, healthcare workers and researchers.

Table of Contents

Third-Party Reimbursement

Most of our customers and healthcare providers typically rely on third-party payers, including government programs and private health insurance plans, to reimburse some or all of the cost of the procedures, products and services they provide. Our devices are subject to worldwide regulations regarding reimbursement developed by government agencies, including the Centers for Medicare and Medicaid Services (CMS) in the United States; the National Health Service in the United Kingdom; the Joint Federal Committee in Germany; the Commission d'Evaluation des Produits et prestations in France; the Ministry for Health, Labor and Welfare in Japan; the Ministry of Health and the National Development and Reform Commission in China; among many others. In addition, our devices are also subject to reimbursement policies issued by private insurance companies and managed care organizations. The manner and level of reimbursement in any given case may depend on the site of care, the procedure(s) performed, the final patient diagnosis, the device(s) and/or drug(s) utilized, the available budget, or a combination of these factors, and coverage and payment levels are determined at each payer's discretion. The coverage policies and reimbursement levels of these third-party payers may impact the decisions of healthcare providers and facilities regarding which medical products they purchase and the prices they are willing to pay for those products. Thus, changes in reimbursement levels or methods may either positively or negatively impact sales of BD products.

While BD is actively engaged in promoting the value propositions of its products for payer, provider, and patient stakeholders, and it employs various efforts and resources to positively impact coverage, coding and payment processes in this regard, it has no direct control over payer decision-making with respect to coverage and payment levels for BD products. Many third-party payers are seeking to control the growth of healthcare expenditures and have developed specific payment and delivery mechanisms to support these cost control efforts. These mechanisms include payment reductions, pay for performance measures, quality-based performance payments, restrictive coverage policies, bidding and tender mechanics, studies to compare the effectiveness of therapies and use of technology assessments. These changes have created an increased emphasis on the delivery of more cost-effective and quality-driven healthcare. As government programs, including CMS and many other national healthcare programs, seek to expand healthcare coverage for their citizens, they have at the same time sought to control costs by limiting the amount of reimbursement they will pay for particular procedures, products or services.

As BD's product offerings are diverse across many healthcare settings, they are affected to varying degrees by the many payment systems. Therefore, individual countries, product lines or product classes may be impacted by changes to these systems. Governments and payers around the world are altering healthcare delivery and payment pathways to focus on paying for value. Traditional procurement processes are evolving to drive "value for money" with specific priorities focused on reducing costs and creating efficiencies in the healthcare systems.

The Patient Protection and Affordable Care Act ("PPACA") has created substantive changes to U.S. healthcare payment systems. With respect to Medicare, the law initially focused on Medicare provisions aimed at improving quality and decreasing costs through a variety of value based payment methodologies. Medicare is now moving beyond payment penalties and seeking to create alternative payment models such as bundled payments to continue to drive improved value. The Department of Health and Human Services ("HHS") announced earlier this year an initiative designed to actively move the Medicare program toward paying providers based on the quality, rather than the quantity of care they give patients. This initiative continues the shift toward reimbursing providers via bundled payments based upon quality and outcomes. As a result, HHS predicts that by 2018, 90% of all fee-for-service Medicare payments will be linked to quality outcomes through programs such as the Hospital Value Based Purchasing and the Hospital Readmissions Reduction programs. Of these quality-based payments, 50% will be tied to alternate payment models that promote shared savings like Accountable Care Organizations and bundled payment arrangements.

We see other governments around the world considering similar bundling reform measures, including the development of the Diagnosis Related Group ("DRG") as a payment mechanism to drive toward quality and resource based reimbursement.

See Item 1A. Risk Factors for a further discussion.

Regulation

BD's medical technology products and operations are subject to regulation by the U.S. Food and Drug Administration ("FDA") and various other federal and state agencies, as well as by foreign governmental agencies. These agencies

enforce laws and regulations that govern the development, testing, manufacturing, labeling, advertising, marketing and distribution, and market surveillance of BD's medical products. The scope of the activities of these agencies, particularly in the Europe, Japan, and Asia Pacific regions in which BD operates, has been increasing.

BD actively maintains FDA/ISO Quality Systems that establish standards for its product design, manufacturing, and distribution processes. Prior to marketing or selling most of its products, BD must secure approval from the FDA and counterpart non-U.S. regulatory agencies. Following the introduction of a product, these agencies engage in periodic reviews and inspections of BD's quality systems, as well as product performance and advertising and promotional materials. These regulatory controls, as well as any changes in FDA policies, can affect the time and cost associated with the development, introduction and continued availability of new products. Where possible, BD anticipates these factors in its product

Table of Contents

development and planning processes. These agencies possess the authority to take various administrative and legal actions against BD, such as product recalls, product seizures and other civil and criminal sanctions. BD also undertakes voluntary compliance actions such as voluntary recalls.

BD also is subject to various federal and state laws, and laws outside the United States, concerning healthcare fraud and abuse (including false claims laws and anti-kickback laws), global anti-corruption, transportation, safety and health, and customs and exports. Many of the agencies enforcing these laws have increased their enforcement activities with respect to medical device manufacturers in recent years. This appears to be part of a general trend toward increased regulation and enforcement activity within and outside the United States.

In addition, as part of PPACA, the federal government has enacted the Sunshine Act provisions requiring BD to publicly report gifts and payments made to physicians and teaching hospitals. Many of these provisions are new and uncertain, and failure to comply could result in a range of fines, penalties and/or other sanctions.

Our infusion pump business unit is operating under an amended consent decree entered into by CareFusion with the FDA in 2007. CareFusion's consent decree with the FDA related to its Alaris SE infusion pumps. In February 2009, CareFusion and the FDA amended the consent decree to include all infusion pumps manufactured by or for CareFusion 303, Inc., the business unit that manufactures and sells infusion pumps in the United States. The amended consent decree does not apply to intravenous administration sets and accessories.

While this BD business unit remains subject to the amended consent decree, which includes the requirements of the original consent decree, it has made substantial progress in its compliance efforts. However, we cannot predict the outcome of this matter, and the amended consent decree authorizes the FDA, in the event of any violations in the future, to order us to cease manufacturing and distributing infusion pumps, recall products and take other actions. We may be required to pay damages of $15,000 per day per violation if we fail to comply with any provision of the amended consent decree, up to $15 million per year.

We also cannot currently predict whether additional monetary investment will be incurred to resolve this matter or the matter's ultimate impact on our business. We may be obligated to pay more costs in the future because, among other things, the FDA may determine that we are not fully compliant with the amended consent decree and therefore impose penalties under the amended consent decree, and/or we may be subject to future proceedings and litigation relating to the matters addressed in the amended consent decree. As of September 30, 2015, we do not believe that a loss is probable in connection with the amended consent decree, and accordingly, we have no accruals associated with compliance with the amended consent decree.

See also Item 3. Legal Proceedings.

Employees

As of September 30, 2015, BD had 49,517 employees, of which 18,596 were employed in the U.S. (including Puerto Rico). BD believes that its employee relations are satisfactory.

Available Information

BD maintains a website at www.bd.com. BD also makes available its Annual Reports on Form 10-K, its Quarterly Reports on Form 10-Q, and its Current Reports on Form 8-K (and amendments to those reports) as soon as reasonably practicable after those reports are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). These filings may be obtained and printed free of charge at www.bd.com/investors. In addition, the written charters of the Audit Committee, the Compensation and Management Development Committee, the Corporate Governance and Nominating Committee, the Executive Committee and the Science, Marketing, Innovation and Technology Committee of the Board of Directors, BD's Corporate Governance Principles and its Code of Conduct, are available at BD's website at www.bd.com/investors/corporate_governance/. Printed copies of these materials, this 2015 Annual Report on Form 10-K, and BD's reports and statements filed with, or furnished to, the SEC, may be obtained, without charge, by contacting the Corporate Secretary, BD, 1 Becton Drive, Franklin Lakes, New Jersey 07417-1880, telephone 201-847-6800. In addition, the SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov. BD also routinely posts important information for investors on its website at www.bd.com/investors. BD may use this website as a means of disclosing material, non-public information and for complying with its disclosure obligations under Regulation FD adopted by the SEC. Accordingly, investors should monitor the Investor Relations portion of

BD’s website noted above, in addition to following BD’s press releases, SEC filings, and public conference calls and webcasts. Our website and the information contained therein or connected thereto shall not be deemed to be incorporated into this Annual Report.

Table of Contents

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 SEC and in its reports to shareholders. Additional information regarding BD's forward-looking statements is contained in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 1A. Risk Factors.

An investment in BD involves a variety of risks and uncertainties. The following describes some of the significant risks that could adversely affect BD's business, financial condition, operating results or cash flows.

Risks Relating to the Company

Global economic conditions could continue to adversely affect our operations.

In recent years, we have been faced with very challenging global economic conditions. Deterioration in the global economic environment, particularly in emerging markets and countries with government-sponsored healthcare systems, may result in decreased demand for our products and services, increased competition, downward pressure on the prices for our products, longer sales cycles, and slower adoption of new technologies. A weakening of macroeconomic conditions may also adversely affect our suppliers, which could result in interruptions in supply in the future. We have also previously experienced delays in collecting receivables in certain countries in Western Europe, and we may experience similar delays in the future in these and other countries or regions experiencing liquidity problems.

We are subject to foreign currency exchange risk.

A substantial amount of our revenues are derived from international operations, and we anticipate that a significant portion of our sales will continue to come from outside the U.S. in the future. The revenues we report with respect to our operations outside the United States may be adversely affected by fluctuations in foreign currency exchange rates. A discussion of the financial impact of exchange rate fluctuations and the ways and extent to which we may attempt to address any impact is contained in Item 7., Management's Discussion of Financial Condition and Results of Operations. Any hedging activities we engage in may only offset a portion of the adverse financial impact resulting from unfavorable changes in foreign currency exchange rates. We cannot predict with any certainty changes in foreign currency exchange rates or the degree to which we can mitigate these risks.

Changes in reimbursement practices of third-party payers could affect the demand for our products and the prices at which they are sold.

Our sales depend, in part, on the extent to which healthcare providers and facilities are reimbursed by government authorities, private insurers and other third-party payers for the costs of our products. The coverage policies and reimbursement levels of third-party payers, which can vary among public and private sources and by country, may affect which products customers purchase and the prices they are willing to pay for those products in a particular jurisdiction. Reimbursement rates can also affect the acceptance rate of new technologies and products. Legislative or administrative reforms to reimbursement systems in the United States or abroad, changes in reimbursement rates by private payers, or adverse decisions relating to our products by administrators of these systems could significantly reduce reimbursement for procedures using our products or result in denial of reimbursement for those products, which would adversely affect customer demand or the price customers are willing to pay for such products. See "Third-Party Reimbursement" under Item 1., Business.

Federal healthcare reform may adversely affect our results of operations.

The PPACA was enacted in March 2010. The PPACA imposes on medical device manufacturers, such as BD, a 2.3% excise tax on U.S. sales of certain medical devices. We cannot predict with any certainty what other impact the PPACA may have on our business. The PPACA, among other things, reduces Medicare and Medicaid payments to hospitals, clinical laboratories and pharmaceutical companies, and could otherwise reduce the volume of medical procedures. These factors, in turn, could result in reduced demand for our products and increased downward pricing pressure. It is also possible that the PPACA will result in lower reimbursement rates for our products. Other provisions in the law may significantly change the practice of health care and could adversely affect aspects of our

business.

Consolidation in the healthcare industry could adversely affect our future revenues and operating income.

The medical technology industry has experienced a significant amount of consolidation. As a result of this consolidation, competition to provide goods and services to customers has increased. Health care systems and other health care companies are also consolidating, resulting in greater purchasing power for these companies and competition among medical device suppliers to provide goods and services. Group purchasing organizations and integrated health delivery networks have also

Table of Contents

served to concentrate purchasing decisions for some customers, which has also placed pricing pressure on medical device suppliers. Further consolidation in the industry could exert additional pressure on the prices of our products.

Cost volatility could adversely affect our operations.

Our results of operations could be negatively impacted by volatility in the cost of raw materials, components, freight and energy. In particular, we purchase supplies of resins, which are oil-based components used in the manufacture of certain products. Any significant increases in resin costs could adversely impact future operating results. Increases in the price of oil can also increase our costs for packaging and transportation. New laws or regulations adopted in response to climate change could also increase energy costs as well as the costs of certain raw materials and components. We may not be able to offset increases in these costs through other cost reductions.

Breaches of our information technology systems could have a material adverse effect on our operations.

We rely on information technology systems to process, transmit, and store electronic information in our day-to-day operations. Our information technology systems have been subjected to computer viruses or other malicious codes, and cyber- or phishing- attacks, and we have experienced instances of unauthorized access to our systems in the past. We expect to be subject to similar attacks in the future. In addition to our own information, we store certain information with third parties that could be subject to these types of attacks. These attacks could result in our intellectual property and other confidential information being lost or stolen, disruption of our operations, and other negative consequences, such as increased costs for security measures or remediation costs, diversion of management attention, and adverse impact on our relationships with vendors and customers. While we will continue to implement additional protective measures to reduce the risk of and detect future cyber incidents, cyber-attacks are becoming more sophisticated and frequent, and the techniques used in such attacks change rapidly. There can be no assurances that our protective measures will prevent future attacks that could have a significant impact on our business.

Our future growth is dependent in part upon the development of new products, and there can be no assurance that such products will be developed.

A significant element of our strategy is to increase revenue growth by focusing on products that deliver greater benefits to patients, healthcare workers and researchers. The development of these products requires significant investment in research and development, clinical trials and regulatory approvals. The results of our product development efforts may be affected by a number of factors, including our ability to anticipate customer needs, innovate and develop new products, complete clinical trials, obtain regulatory approvals and reimbursement in the United States and abroad, manufacture products in a cost-effective manner, obtain appropriate intellectual property protection for our products, and gain and maintain market approval of our products. In addition, patents attained by others can preclude or delay our commercialization of a product. There can be no assurance that any products now in development or that we may seek to develop in the future will achieve technological feasibility, obtain regulatory approval or gain market acceptance.

We cannot guarantee that any of our strategic acquisitions, investments or alliances will be successful.

As part of our strategy to increase revenue growth, we seek to supplement our internal growth through strategic acquisitions, investments and alliances. Such transactions are inherently risky., and the integration of any newly-acquired business requires significant effort and management attention. The success of any acquisition, investment or alliance may be affected by a number of factors, including our ability to properly assess and value the potential business opportunity or to successfully integrate any business we may acquire into our existing business. There can be no assurance that any past or future transaction will be successful.

The medical technology industry is very competitive.

We face significant competition from a wide range of companies. These include large medical device companies with multiple product lines, some of which may have greater financial and marketing resources than we do, and firms that are more specialized than we are with respect to particular markets or product lines. We face competition across our product lines and in each market in which our products are sold on the basis of product features, clinical outcomes, product quality, price, services and other factors. In addition, we face changing customer preferences and requirements, including increased customer demand for more environmentally-friendly products.

The medical technology industry is also subject to rapid technological change and discovery. The development of new or improved products, processes or technologies by other companies (such as needle-free injection technology) may

render our products or proposed products obsolete or less competitive. In some instances, competitors, including pharmaceutical companies, also offer, or are attempting to develop, alternative therapies for disease states that may be delivered without a medical device. The entry into the market of manufacturers located in China and other low-cost manufacturing locations has also created pricing pressure, particularly in developing markets.

Table of Contents

The international operations of our business may subject us to certain business risks.

A substantial amount of our sales come from our operations outside the United States, and we intend to continue to pursue growth opportunities in foreign markets, especially in emerging markets. Our foreign operations subject us to certain risks, including the effects of fluctuations in foreign currency exchange (discussed above), the effects of local economic conditions, foreign regulatory requirements or changes in such requirements, local product preferences and product requirements, difficulty in establishing, staffing and managing foreign operations, differing labor regulations, changes in tax laws, potential political instability, weakening or loss of the protection of intellectual property rights in some countries, import or export licensing requirements, trade protection and restrictions on the transfer of capital across borders. The success of our operations outside the United States depends, in part, on our ability to acquire or form and maintain alliances with local companies and make necessary infrastructure enhancements to, among other things, our production facilities and sales and distribution networks.

In addition, our international operations are governed by the U.S. Foreign Corrupt Practices Act and similar anti-corruption laws outside the U.S. Global enforcement of anti-corruption laws has increased substantially in recent years, with more enforcement proceedings by U.S. and foreign governmental agencies and the imposition of significant fines and penalties. While we have implemented policies and procedures to enhance compliance with these laws, our international operations, which often involve customer relationships with foreign governments, create the risk that there may be unauthorized payments or offers of payments by employees, consultants, sales agents or distributors. Any alleged or actual violations of these laws may subject us to government investigations, significant criminal or civil sanctions and other liabilities, and negatively affect our reputation.

Under the U.S. tax code, we may also be subject to additional taxation to the extent we repatriate earnings from our foreign operations to the U.S. In the event we require more capital in the United States than is generated by our U.S. operations to fund acquisitions or other activities and elect to repatriate earnings from foreign jurisdictions, our effective tax rate may be higher as a result.

Reductions in customers' research budgets or government funding may adversely affect our BD Biosciences business.

Our BD Biosciences business sells products to researchers at pharmaceutical and biotechnology companies, academic institutions, government laboratories and private foundations. Research and development spending of our customers can fluctuate based on spending priorities and general economic conditions. A number of these customers are also dependent for their funding upon grants from U.S. government agencies, such as the U.S. National Institutes of Health ("NIH") and agencies in other countries. The level of government funding of research and development is unpredictable. There have been instances where NIH grants have been frozen or otherwise unavailable for extended periods. The availability of governmental research funding may also continue to be adversely affected by economic conditions and governmental spending reductions. Any reduction or delay in governmental funding could cause our customers to delay or forego purchases of our products.

A reduction or interruption in the supply of certain raw materials and components would adversely affect our manufacturing operations and related product sales.

We purchase many different types of raw materials and components. Certain raw materials and components are not available from multiple sources. In addition, for quality assurance, cost-effectiveness and other reasons, we elect to purchase certain raw materials and components from sole suppliers. The supply of these materials can be disrupted for a number of reasons, including economic conditions as described above. While we work with suppliers to ensure continuity of supply, no assurance can be given that these efforts will be successful. In addition, due to regulatory requirements relating to the qualification of suppliers, we may not be able to establish additional or replacement sources on a timely basis or without excessive cost. The termination, reduction or interruption in supply of these sole-sourced raw materials and components could adversely impact our ability to manufacture and sell certain of our products.

Interruption of our manufacturing operations could adversely affect our future revenues and operating income.

We have manufacturing sites all over the world. In some instances, however, the manufacturing of certain of our product lines is concentrated in one or more of our plants. Damage to one or more of our facilities from weather or natural disasters, or issues in our manufacturing arising from failure to follow internal protocols and procedures, equipment failure or other factors could adversely affect our ability to manufacture our products, resulting in lost

revenues and damage to our relationships with customers.

We are subject to lawsuits.

We are or have been a defendant in a number of lawsuits, including purported class action lawsuits for, among other things, alleged antitrust violations and suits alleging patent infringement, and could be subject to additional lawsuits in the future. A more detailed description of these lawsuits is contained in note 5 to the consolidated financial statements included in

Table of Contents

Item 8., Financial Statements and Supplementary Data. 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. Any such future charges, individually or in the aggregate, could have a material adverse effect on our results of operations and cash flows.

We are subject to extensive regulation.

Our operations are global and are affected by various state, federal and international healthcare, environmental, antitrust, anti-corruption, fraud and abuse (including anti-kickback and false claims laws), employment and other laws. Violations of these laws can result in criminal or civil sanctions, including substantial fines and, in some cases, exclusion from participation in health care programs such as Medicare and Medicaid. The enactment of additional laws in the future may increase our compliance costs or otherwise adversely impact our operations.

We are also subject to extensive regulation by the FDA pursuant to the Federal Food, Drug and Cosmetic Act, by comparable agencies in foreign countries, and by other regulatory agencies and governing bodies. Most of our products must receive clearance or approval from the FDA or counterpart regulatory agencies in other countries before they can be marketed or sold. The process for obtaining marketing approval or clearance may take a significant period of time and require the expenditure of substantial resources, and these have been increasing due to increased requirements from the FDA for supporting data for submissions. The process may also require changes to our products or result in limitations on the indicated uses of the products. Governmental agencies may also impose new requirements regarding registration, labeling or prohibited materials that may require us to modify or re-register products already on the market or otherwise impact our ability to market our products in those countries. Once clearance or approval has been obtained for a product, there is an obligation to ensure that all applicable FDA and other regulatory requirements continue to be met. Following the introduction of a product, these agencies also periodically review our manufacturing processes and product performance. Our failure to comply with the applicable good manufacturing practices, adverse event reporting, clinical trial and other requirements of these agencies could delay or prevent the production, marketing or sale of our products and result in fines, delays or suspensions of regulatory clearances, closure of manufacturing sites, seizures or recalls of products and damage to our reputation. More stringent oversight by the FDA and other agencies in recent years has resulted in increased enforcement activity, which increases the compliance risk for us and other companies in our industry.

As a result of the CareFusion acquisition, we are operating under a consent decree with the FDA that was entered into by CareFusion in 2009, that affects our infusion pump business in the United States. For more information regarding the consent decree, see “Regulation” under Item 1, “Business”.

Product defects could adversely affect the results of our operations.

The design, manufacture and marketing of medical devices involve certain inherent risks. Manufacturing or design defects, unapproved use of our products, or inadequate disclosure of risks or other information relating to the use of our products can lead to injury or other adverse events. These events could lead to recalls or safety alerts relating to our products (either voluntary or required by the FDA or similar governmental authorities in other countries), and could result, in certain cases, in the removal of a product from the market. A recall could result in significant costs, as well as negative publicity and damage to our reputation that could reduce demand for our products. Personal injuries relating to the use of our products can also result in significant product liability claims being brought against us. In some circumstances, such adverse events could also cause delays in regulatory approval of new products.

Our operations are dependent in part on patents and other intellectual property assets.

Many of our businesses rely on patent, trademark and other intellectual property assets. These intellectual property assets, in the aggregate, are of material importance to our business. We can lose the protection afforded by these intellectual property assets through patent expirations, legal challenges or governmental action. Patents attained by competitors, particularly as patents on our products expire, may also adversely affect our competitive position. In addition, competitors may claim that our products infringe upon their intellectual property, which could result in the

payment of significant legal fees, damage awards and past or future royalties, as well as injunctions against future sales of our products. We also operate in countries that do not protect intellectual property rights to the same extent as in the U.S., which could make it easier for competitors to compete with us in those countries. The loss of a significant portion of our portfolio of intellectual property assets may have an adverse effect on our earnings, financial condition or cash flows.

Natural disasters, war and other events could adversely affect our future revenues and operating income.
Natural disasters (including pandemics), war, terrorism, labor disruptions and international conflicts, and actions taken by the United States and other governments or by our customers or suppliers in response to such events, could cause significant

Table of Contents

economic disruption and political and social instability in the United States and areas outside of the United States in which we operate. These events could result in decreased demand for our products, adversely affect our manufacturing and distribution capabilities, or increase the costs for or cause interruptions in the supply of materials from our suppliers.

We need to attract and retain key employees to be competitive.

Our ability to compete effectively depends upon our ability to attract and retain executives and other key employees, including people in technical, marketing, sales and research positions. Competition for experienced employees, particularly for persons with specialized skills, can be intense. Our ability to recruit such talent will depend on a number of factors, including compensation and benefits, work location and work environment. If we cannot effectively recruit and retain qualified executives and employees, our business could be adversely affected.

Risks Relating To Our Acquisition of CareFusion

The integration process with CareFusion may be more difficult, costly or time consuming than expected and the anticipated benefits and cost savings of the merger may not be realized.

The success of our acquisition of CareFusion, including anticipated benefits and cost savings, will depend, in part, on our ability to successfully combine and integrate our business with the business of CareFusion. It is possible that the integration process could result in the loss of key employees, higher than expected costs, diversion of management attention and resources, the disruption of ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the combined company's ability to maintain relationships with customers, vendors and employees or to achieve the anticipated benefits and cost savings of the merger. As part of the integration process, we intend to move assets within our combined company to create efficiencies and may seek to opportunistically divest certain assets of the combined company, which may change the profile of the combined company, and which may not be possible on favorable terms, or at all. If we experience difficulties with the integration process, the anticipated benefits of the merger may not be realized fully or at all, or may take longer to realize than expected. These integration matters could have an adverse effect on the combined company for an undetermined period going forward. In addition, the actual cost savings of the merger could be less than anticipated.

In connection with the CareFusion transactions, we incurred and assumed significant additional indebtedness, which could adversely affect us, including by decreasing our business flexibility.

We have substantially increased indebtedness following completion of the CareFusion acquisition in comparison to that of BD on a recent historical basis, which has increased our interest expense and could have the effect, among other things, of reducing our flexibility to respond to changing business and economic conditions. The amount of cash required to pay interest on our increased indebtedness following the merger, and thus the demands on our cash resources, is greater than the amount of cash flows required to service our indebtedness prior to the acquisition. Our increased levels of indebtedness could also reduce funds available for working capital, capital expenditures, acquisitions, funding research and development or future expansion of our business, and other general corporate purposes and may create competitive disadvantages for BD relative to other companies with lower debt levels. If we do not achieve the expected benefits and cost savings from the transaction, or if the financial performance of the combined company does not meet current expectations, then our ability to service this indebtedness may be adversely impacted.

Certain of the indebtedness incurred in connection with the merger bears interest at variable interest rates. If interest rates increase, variable rate debt will create higher debt service requirements, which could adversely affect our cash flows.

In addition, our credit ratings affect the cost and availability of future borrowings and, accordingly, our cost of capital. Our ratings reflect each rating organization's opinion of our financial strength, operating performance and ability to meet our debt obligations. Our ratings were downgraded in connection with the indebtedness incurred and assumed in the acquisition of CareFusion, and there can be no assurance that we will achieve a particular rating or maintain a

particular rating in the future. Moreover, we may be required to raise substantial additional financing to fund working capital, capital expenditures, acquisitions or other general corporate requirements. Our ability to arrange additional financing or refinancing will depend on, among other factors, our financial position and performance, as well as prevailing market conditions and other factors beyond our control. There can be no assurance that we will be able to obtain additional financing or refinancing on terms acceptable to us or at all.

Table of Contents

The agreements that govern the indebtedness incurred or assumed in connection with the acquisition contain various covenants that impose restrictions on us and certain of our subsidiaries that may affect our ability to operate our businesses.

The agreements that govern the indebtedness incurred or assumed in connection with the CareFusion transaction contain various affirmative and negative covenants that may, subject to certain significant exceptions, restrict our ability and the ability of certain of our subsidiaries (including CareFusion) to, among other things, have liens on their property, transact business with affiliates and/or merge or consolidate with any other person or sell or convey certain of our assets to any one person. In addition, some of the agreements that govern our indebtedness contain financial covenants that will require us to maintain certain financial ratios. Our ability and the ability of our subsidiaries to comply with these provisions may be affected by events beyond our control. Failure to comply with these covenants could result in an event of default, which, if not cured or waived, could accelerate our repayment obligations.

Uncertainties associated with our CareFusion integration efforts may cause a loss of management personnel and other key employees, which could adversely affect the future business and operations of the combined company.

The successful integration of CareFusion and BD will depend in part upon our ability to retain key management personnel and other key employees of both companies. Current and prospective employees of the combined company may experience uncertainty about their future roles during the integration process, which may materially adversely affect our ability to attract and retain key personnel. No assurance can be given that the combined company will be able to retain key management personnel and other key employees.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

BD's executive offices are located in Franklin Lakes, New Jersey. As of October 6, 2015, BD owned or leased 326 facilities throughout the world, comprising approximately 19,954,024 square feet of manufacturing, warehousing, administrative and research facilities. The U.S. facilities, including those in Puerto Rico, comprise approximately 7,894,098 square feet of owned and 3,444,667 square feet of leased space. The international facilities comprise approximately 6,810,151 square feet of owned and 1,805,108 square feet of leased space. Sales offices and distribution centers included in the total square footage are also located throughout the world.

Operations in each of BD's business segments are conducted at both U.S. and international locations. Particularly in the international marketplace, facilities often serve more than one business segment and are used for multiple purposes, such as administrative/sales, manufacturing and/or warehousing/distribution. BD generally seeks to own its manufacturing facilities, although some are leased. The following table summarizes property information by business segment.

Sites	Corporate	BD Lifesciences	BD Medical	Mixed(A)	Total
Leased	14	18	119	93	244
Owned	4	27	39	12	82
Total	18	45	158	105	326
Square feet	1,395,035	4,240,503	10,558,257	3,760,229	19,954,024

(A) Facilities used by more than one business segment.

BD believes that its facilities are of good construction and in good physical condition, are suitable and adequate for the operations conducted at those facilities, and are, with minor exceptions, fully utilized and operating at normal capacity.

The U.S. facilities are located in Alabama, Arizona, California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, New Jersey, New Mexico, North Carolina, Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia, Washington, D.C., Washington, Wisconsin and Puerto Rico.

The international facilities are as follows:

- Europe, Middle East, Africa, which includes facilities in Austria, Belgium, Bosnia and Herzegovina, the Czech Republic, Denmark, England, Finland, France, Germany, Ghana, Hungary, Ireland, Italy, Kenya, Luxembourg, Netherlands, Norway, Poland, Portugal, Russia, Saudi Arabia, South Africa, Spain, Sweden, Switzerland, Turkey, the United Arab Emirates and Zambia.
- Greater Asia, which includes facilities in Australia, Bangladesh, China, India, Indonesia, Japan, Malaysia, New Zealand, Pakistan, the Philippines, Singapore, South Korea, Taiwan, Thailand and Vietnam.

Table of Contents

- Latin America, which includes facilities in Argentina, Brazil, Chile, Colombia, Mexico, Peru and the Dominican Republic.
- Canada.

Item 3. Legal Proceedings.

Information with respect to certain legal proceedings is included in Note 5 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data, and is incorporated herein by reference.

Item 4. Mine Safety Disclosures.

Not applicable.

Table of Contents

Executive Officers of the Registrant

The following is a list of the executive officers of BD, their ages and all positions and offices held by each of them during the past five years. There is no family relationship between any executive officer or director of BD.

Name	Age	Position
Vincent A. Forlenza	62	Chairman since July 2012; Chief Executive Officer since October 2011; President since January 2009; Chief Operating Officer from July 2010 to October 2011; and prior thereto, Executive Vice President.
Gary M. Cohen	56	Executive Vice President and President, Global Health.
Alexandre Conroy	52	Executive Vice President and President, Europe, EMA and the Americas since June 2012; and prior thereto, President, Western Europe.
Jerome V. Hurwitz	61	Executive Vice President and Chief Human Resource Officer since September 2013; and prior thereto, Vice President, Change Management.
William A. Kozy	63	Chief Operating Officer since November 2012; and Executive Vice President since June 2006.
James Lim	51	Executive Vice President and President, Greater Asia since June 2012; and prior thereto, Vice President/General Manager, Central Asia Pacific and Operations.
Thomas E. Polen	42	Executive Vice President and President - Medical since October 1, 2014; Group President from October 2013 to October 2014; and Worldwide President - BD Diagnostic Systems from October 2010 to October 2013.
Christopher R. Reidy	58	Executive Vice President, Chief Financial Officer and Chief Administrative Officer since July 15, 2013; and prior thereto, Vice President and Chief Financial Officer of ADP Corporation.
Nabil Shabshab	50	Executive Vice President and Chief Marketing Officer since August 2011; and prior thereto, Executive Vice President, Global Portfolio Management of Diversey, Inc.
Jeffrey S. Sherman	60	Executive Vice President and General Counsel.
Stephen Sichak	58	Executive Vice President, Integrated Supply Chain.
Ellen R. Strahlman, M.D.	58	Executive Vice President, Research and Development and Chief Medical Officer since April 2013; Senior Vice President, Office of the CEO and Global Head, Neglected Tropical Diseases of GlaxoSmithKline from March 2012 to May 2012, and prior thereto, Chief Medical Officer of GlaxoSmithKline plc.
Linda M. Tharby	47	Executive Vice President and President - Life Sciences since October 1, 2014; Group President from October 2013 to October 2014; and prior thereto, Worldwide President - BD Medical, Diabetes Care.

Table of Contents

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

BD's common stock is listed on the New York Stock Exchange. As of October 31, 2015, there were approximately 14,474 shareholders of record.

Market and Market Prices of Common Stock (per common share)

	2014		2015	
By Quarter	High	Low	High	Low
First	$ 110.60	$ 98.33	$ 141.26	$ 113.60
Second	117.08	105.40	149.50	138.08
Third	120.33	111.18	145.57	137.93
Fourth	120.21	112.63	153.86	130.40

Dividends (per common share)

By Quarter	2014	2015
First	$ 0.545	$ 0.600
Second	0.545	0.600
Third	0.545	0.600
Fourth	0.545	0.600

Issuer Purchases of Equity Securities

The table below sets forth certain information regarding BD's purchases of its common stock during the fiscal quarter ended September 30, 2015.

Period	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)
July 1-31, 2015	1,959	$ 142.89	—	9,147,060
August 1-31, 2015	756	152.84	—	9,147,060
September 1-30, 2015	—	—	—	9,147,060
Total	2,715	$ 145.66	—	9,147,060

(1) Includes 2,715 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.

(2) Any repurchases would be made pursuant to the repurchase program authorized by the Board of Directors on September 24, 2013 for 10 million shares, for which there is no expiration date.

Table of Contents

Item 6. Selected Financial Data.

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Becton, Dickinson and Company

	Years Ended September 30				
	2015	2014	2013	2012	2011
	Dollars in millions, except share and per share amounts				
Operations					
Revenues	$10,282	$8,446	$8,054	$7,708	$7,584
Gross Margin	4,695	4,301	4,171	3,953	3,959
Research and Development Expense	632	550	494	472	470
Operating Income	1,074	1,606	1,254	1,558	1,666
Interest Expense, Net	356	89	98	84	41
Income From Continuing Operations Before Income Taxes	739 (A)	1,522 (B)	1,165 (C)	1,472 (D)	1,618 (D)
Income Tax Provision	44	337	236	363	417
Income from Continuing Operations	695 (A)	1,185 (B)	929 (C)	1,110 (D)	1,201 (D)
Net Income	695	1,185	1,293	1,170	1,271
Basic Earnings Per Share from Continuing Operations	3.43	6.13	4.76	5.40	5.43
Diluted Earnings Per Share from Continuing Operations	3.35 (A)	5.99 (B)	4.67 (C)	5.30 (D)	5.31 (D)
Dividends Per Common Share	2.40	2.18	1.98	1.80	1.64
Financial Position					
Total Current Assets	$6,045	$6,131	$5,873	$5,322	$4,668
Total Current Liabilities	4,386	2,235	2,130	1,978	1,823
Total PPE, Net	4,060	3,605	3,476	3,304	3,211
Total Assets	26,820	12,447	12,149	11,361	10,430
Total Long-Term Debt	11,370	3,768	3,763	3,761	2,485
Total Shareholders' Equity	7,164	5,053	5,043	4,136	4,828
Book Value Per Common Share	34.00	26.33	25.99	21.00	22.48
Financial Relationships					
Gross Profit Margin	45.7 %	50.9 %	51.8 %	51.3 %	52.2 %
Return on Revenues(E)	6.8 %	14.0 %	11.5 %	14.4 %	15.8 %
Return on Total Assets(E)(F)	5.7 %	13.5 %	11.1 %	14.7 %	17.0 %
Return on Equity(E)	11.4 %	23.5 %	20.2 %	24.8 %	23.4 %
Debt to Capitalization(E)(G)	58.4 %	43.4 %	43.1 %	49.7 %	35.8 %
Additional Data					
Number of Employees	49,500	30,600	30,000	29,600	29,400
Number of Shareholders	14,547	8,210	8,412	8,696	8,713
Average Common and Common Equivalent Shares Outstanding — Assuming Dilution (millions)	207.5	197.7	199.2	209.2	226.3
Depreciation and Amortization	$891	$562	$546	$511	$494
Capital Expenditures	596	592	522	487	509

(A) Includes impact of specified items of $1.186 billion ($786 million after-tax), or $3.79 diluted earnings per share from continuing operations, which affects comparisons of results across periods presented.

(B) Includes impact of specified items of $153 million ($101 million after-tax), or $0.51 diluted earnings per share from continuing operations, which affects comparisons of results across periods presented.

Table of Contents

(C) Includes impact of specified items of $442 million ($279 million after-tax), or $1.40 diluted earnings per share from continuing operations, which affects comparisons of results across periods presented.
(D) There were no amounts reflected in the results of operations for the period which would significantly affect the comparisons of results across periods presented.
(E) Excludes discontinued operations.
(F) Earnings before interest expense and taxes as a percent of average total assets.
(G) Total debt as a percent of the sum of total debt, shareholders' equity and non-current deferred income tax liabilities.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following commentary should be read in conjunction with the consolidated financial statements and accompanying notes. Within the tables presented throughout this discussion, certain columns may not add due to the use of rounded numbers for disclosure purposes. Percentages and earnings per share amounts presented are calculated from the underlying amounts. References to years throughout this discussion relate to our fiscal years, which end on September 30.

Company Overview

Description of the Company and Business Segments

Becton, Dickinson and Company ("BD") is a global medical technology company engaged principally in the development, manufacture and sale of a broad range of medical devices, instrument systems and reagents used by healthcare institutions, life science researchers, clinical laboratories, the pharmaceutical industry and the general public. Effective October 1, 2014, BD's organizational structure was realigned to better complement its customer-focused solutions strategy and is now based upon two worldwide business segments, BD Medical ("Medical") and BD Life Sciences ("Life Sciences"). The composition of the Medical segment was not changed by this realignment and the Life Sciences segment consists of the former BD Diagnostics and BD Biosciences segments. The commentary provided further below reflects this two-segment organizational structure and additional discussion regarding this organization realignment is provided in Note 6 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data. CareFusion Corporation ("CareFusion"), which was acquired on March 17, 2015, operates as part of our Medical segment, as further discussed below.

BD's products are manufactured and sold worldwide. 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. We organize our operations outside the United States as follows: Europe, EMA (which includes the Commonwealth of Independent States, the Middle East and Africa); Greater Asia (which includes Japan and Asia Pacific); Latin America (which includes Mexico, Central America, the Caribbean, and South America) and Canada. We continue to pursue growth opportunities in emerging markets, which include the following geographic regions: Eastern Europe, the Middle East, Africa, Latin America and Asia Pacific. We are particularly focused on certain countries whose economic and healthcare sectors are growing rapidly, in particular: China, India and Turkey.

Strategic Objectives

BD remains focused on delivering sustainable growth and shareholder value, while making appropriate investments for the future. BD management operates the business consistent with the following core strategies:

- To increase revenue growth by focusing on our core products, services and solutions that deliver greater benefits to patients, healthcare workers and researchers;
- To increase investment in research and development for platform extensions and innovative new products;
- To make significant investments in growing our operations in emerging markets;
- To improve operating effectiveness and balance sheet productivity;
- To drive an efficient capital structure and strong shareholder returns.

Our strategy focuses on four specific areas within healthcare and life sciences:

- Enabling safer, simpler and more effective parenteral drug delivery;
- Improving clinical outcomes through new, more accurate and faster diagnostics;
- Providing tools and technologies to the research community that facilitate the understanding of the cell, cellular diagnostics and cell therapy;

- Enhancing disease management in diabetes, women's health and cancer, and infection control.

We continue to strive to improve the efficiency of our capital structure and follow these guiding principles:

- To maintain an investment grade rating;
- To ensure access to the debt market for strategic opportunities;

Table of Contents

- To optimize the cost of capital based on market conditions.

In assessing the outcomes of these strategies as well as 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.

Acquisition of CareFusion

On March 17, 2015, pursuant to a definitive agreement entered into on October 5, 2014, BD acquired a 100% interest in CareFusion for total consideration of approximately $12.5 billion to create a global leader in medication management and patient safety solutions. The operating activities of CareFusion from the acquisition date through March 31, 2015 were not material to BD's consolidated results of operations and as such, CareFusion's operating results were included in BD's consolidated results of operations beginning on April 1, 2015. CareFusion operates as part of our Medical segment, which now includes the following organizational units, in addition to the Diabetes Care and Pharmaceutical Systems units: Medication and Procedural Solutions, which encompasses BD's former Medical Surgical Systems unit; Medication Management Solutions; and Respiratory Solutions. Additional discussion regarding this acquisition is provided in Note 9 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data. Disclosures regarding BD's financing arrangements relating to this transaction are provided in Note 15 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data.

Summary of Financial Results

Worldwide revenues in 2015 of $10.282 billion increased 21.7% from the prior year, compared with an increase of 4.9% in 2014. The components of the total worldwide revenue growth in 2015 and 2014 were as follows:

	2015 vs. 2014	2014 vs. 2013
CareFusion	24.1 %	— %
Volume	5.1 %	5.0 %
Other acquisitions	— %	0.2 %
Price (including product mix)	— %	— %
Foreign exchange translation	(7.5)%	(0.3)%
	21.7 %	4.9 %

Worldwide revenue growth in 2015 reflected the inclusion of CareFusion's sales in the Company's results as of April 1, 2015, as discussed above. Revenue growth in 2015 was also attributable to consistent performance of our legacy products, the benefit of our diverse geographic and product portfolio, as well as sales in emerging markets. Medical segment revenue growth in 2015 reflected the inclusion of CareFusion's sales for the second half of the current year, growth in the Medication and Procedural Solutions unit's international sales of safety-engineered products and growth in the Diabetes Care unit's sales of pen needles. Life Sciences segment revenue growth in 2015 was largely driven by sales of safety-engineered products in the Preanalytical Systems unit as well as by growth in the Diagnostic Systems unit.

Revenues in the United States of $5.069 billion in 2015 increased 48.4% from 2014. International revenues in 2015 grew 3.6% to $5.213 billion, which includes an estimated unfavorable foreign exchange translation impact of 12.6%. In addition to the inclusion of CareFusion's sales in results for the second half of the current year, U.S. revenue growth reflected strength in the Medical segment's overall legacy product portfolio, the Diagnostic Systems unit's benefit from a stronger than normal flu season, and growth in the Biosciences unit's research reagent sales and instrument placements. In addition to growth attributable to the CareFusion acquisition, international revenues for 2015 reflected growth from both segments due to sales in emerging markets and of safety-engineered products. Worldwide sales of safety-engineered products reflected the inclusion of CareFusion's sales of safety-engineered products for the second half of the fiscal year, as well as growth that was attributable to BD's legacy safety-engineered products. U.S. sales of safety-engineered products in 2015 of $1.471 billion increased 21.8% compared with 2014 and international safety-engineered products revenues of $1.128 billion grew 10.9%, which reflected the estimated unfavorable impact of foreign currency translation of 14%.

We continue to invest in research and development, 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, and continue to improve operating efficiency and organizational effectiveness, including the integration of CareFusion. While the economic environment for the healthcare industry has stabilized, pricing pressures continue for some of our products. Healthcare utilization has stabilized and slightly improved in the United States; however, any destabilization in the future could adversely impact our U.S. businesses. Additionally, macroeconomic challenges in Europe continue to constrain healthcare utilization, although we

Table of Contents

currently view the environment as stable. In emerging markets, the Company's growth is dependent primarily on government funding for healthcare systems.

Our financial position remains strong, with cash flows from operating activities totaling $1.73 billion in 2015. At September 30, 2015, we had $1.44 billion in cash and equivalents and short-term investments. We continued to return value to our shareholders in the form of dividends. During fiscal year 2015, we paid cash dividends of $485 million. No shares were repurchased during fiscal year 2015 due to the suspension of our share repurchase program for the near term, in connection with the CareFusion acquisition, as our focus subsequent to closing the acquisition has been on the reduction of debt levels and the payment of dividends.

Each reporting period, we face currency exposure 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. The ongoing strength of the U.S. dollar resulted in an unfavorable foreign currency translation impact to our revenue growth during the year, as discussed above. We evaluate our results of operations on both a 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. For further discussion, refer to Note 13 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data.

Results of Continuing Operations

Comparisons of income from continuing operations between 2015 and 2014, as well as between 2014 and 2013, are affected by the specified items detailed below that are reflected in our financial results.

	2015		2014		2013	
	(Millions of dollars)					
Financing costs [A]	$107		$—		$—	
Transaction costs [A]	59		6		—	
Integration costs [A]	95		—		—	
Restructuring costs [A]	271		—		—	
Purchase accounting adjustments	645	(B)	74	(C)	73	(C)
Employee termination-related amounts [D]	(5)		36		—	
Research and development charges [E]	—		26		—	
Litigation-related charges [F]	12		—		363	
Pension settlement charges [G]	—		3		6	
Other specified items, net [H]	—		8		—	
Total specified items	1,186		153		442	
Tax impact of specified items	400		52		163	
After-tax impact of specified items	$786		$101		$279	

(A) Represents financing, transaction, integration and restructuring costs primarily associated with the CareFusion acquisition. The financing costs were recorded in Interest expense. The transaction, integration and restructuring costs were recorded in Acquisition-related costs. For further discussion, refer to Note 9 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data.

(B) Represents non-cash amortization expense of $336 million pre-tax associated with acquisition-related identifiable intangible assets, including CareFusion, as well as the net impact of purchase accounting adjustments of $318 million pre-tax to reflect CareFusion's inventory, fixed assets, debt and deferred revenue balances at fair value as of the acquisition date. BD's amortization expense is primarily recorded in Cost of products sold. The adjustment also

reflected a pre-tax acquisition-date accounting gain of $9 million on the previously held investment in CRISI Medical Systems, Inc. ("CRISI"), a company BD fully acquired in March 2015.

(C) Represents the non-cash expense associated with the amortization of acquisition-related identifiable intangible assets.

(D) The amount in 2014 represents a charge for employee termination costs recorded relative to workforce reduction actions taken in the fourth quarter of fiscal year 2014. The amount in 2015 represents an adjustment to decrease this

Table of Contents

liability. For further discussion, refer to Note 8 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data.
(E) Includes a $6 million charge assoc