

BECTON DICKINSON & CO
Form 10-Q
May 07, 2008

FORM 10-Q
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)

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

For the quarterly period ended March 31, 2008

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
(State or other jurisdiction of
incorporation or organization)

22-0760120
(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 No

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

Edgar Filing: BECTON DICKINSON & CO - Form 10-Q

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 March 31, 2008
Common stock, par value \$1.00	244,065,869

BECTON, DICKINSON AND COMPANY
FORM 10-Q
For the quarterly period ended March 31, 2008

TABLE OF CONTENTS

<u>Part I.</u>	<u>FINANCIAL INFORMATION</u>	<u>Page Number</u>
Item 1.	Financial Statements (Unaudited)	
	Condensed Consolidated Balance Sheets	3
	Condensed Consolidated Statements of Income	4
	Condensed Consolidated Statements of Cash Flows	5
	Notes to Condensed Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	17
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	25
Item 4.	Controls and Procedures	25
<u>Part II.</u>	<u>OTHER INFORMATION</u>	
Item 1.	Legal Proceedings	26
Item 1A.	Risk Factors	27
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	27
Item 3.	Defaults Upon Senior Securities	27
Item 4.	Submission of Matters to a Vote of Security Holders	28
Item 5.	Other Information	29
Item 6.	Exhibits	29
Signatures		30
Exhibits		31

ITEM 1. FINANCIAL STATEMENTS
 BECTON, DICKINSON AND COMPANY
 CONDENSED CONSOLIDATED BALANCE SHEETS
 Thousands of dollars

<u>Assets</u>	March 31, 2008 (Unaudited)	September 30, 2007
Current Assets:		
Cash and equivalents	\$ 560,999	\$ 511,482
Short-term investments	200,356	158,040
Trade receivables, net	1,168,119	1,083,152
Inventories:		
Materials	151,606	142,484
Work in process	211,829	195,155
Finished products	783,466	714,320
	1,146,901	1,051,959
Prepaid expenses, deferred taxes and other	346,226	325,933
Total Current Assets	3,422,601	3,130,566
Property, plant and equipment	5,705,829	5,354,115
Less allowances for depreciation and amortization	(3,035,394)	(2,856,777)
	2,670,435	2,497,338
Goodwill	632,940	621,414
Core and Developed Technology, Net	364,054	374,779
Other Intangibles, Net	92,405	95,938
Capitalized Software, Net	138,572	142,738
Other	480,249	466,592
Total Assets	\$ 7,801,256	\$ 7,329,365
<u>Liabilities and Shareholders' Equity</u>		
Current Liabilities:		
Short-term debt	\$ 208,248	\$ 207,634
Payables and accrued expenses	1,170,659	1,271,175
Total Current Liabilities	1,378,907	1,478,809
Long-Term Debt	959,949	955,713
Long-Term Employee Benefit Obligations	438,897	444,874
Deferred Income Taxes and Other	164,327	88,012
Commitments and Contingencies	-	-
Shareholders' Equity:		
Common stock	332,662	332,662
Capital in excess of par value	1,275,716	1,125,368
Retained earnings	6,398,401	5,995,787
Deferred compensation	13,547	12,205
Common shares in treasury - at cost	(3,368,660)	(3,105,893)
Accumulated other comprehensive income	207,510	1,828
Total Shareholders' Equity	4,859,176	4,361,957
Total Liabilities and Shareholders' Equity	\$ 7,801,256	\$ 7,329,365

See notes to condensed consolidated financial statements

BECTON, DICKINSON AND COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
Thousands of dollars, except per share data
(Unaudited)

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2008	2007	2008	2007
Revenues	\$ 1,746,925	\$ 1,575,922	\$ 3,452,692	\$ 3,077,449
Cost of products sold	853,807	764,540	1,683,654	1,473,474
Selling and administrative	415,523	406,631	837,240	790,715
Research and development	96,034	86,687	187,561	166,627
Acquired in-process research and development	-	-	-	114,739
Total Operating Costs and Expenses	1,365,364	1,257,858	2,708,455	2,545,555
Operating Income	381,561	318,064	744,237	531,894
Interest income	8,005	9,086	21,534	25,200
Interest expense	(8,098)	(11,686)	(18,438)	(24,555)
Other income, net	828	5,872	1,535	3,505
Income From Continuing Operations Before Income Taxes	382,296	321,336	748,868	536,044
Income tax provision	106,661	85,797	202,337	169,454
Income From Continuing Operations	275,635	235,539	546,531	366,590
Income from Discontinued Operations, net	550	6,994	1,201	18,822
Net Income	\$ 276,185	\$ 242,533	\$ 547,732	\$ 385,412
<u>Basic Earnings per Share:</u>				
Income from Continuing Operations	\$ 1.13	\$ 0.96	\$ 2.23	\$ 1.49
Income from Discontinued Operations	-	0.03	-	0.08
Basic Earnings per Share (A)	\$ 1.13	\$ 0.99	\$ 2.24	\$ 1.57
<u>Diluted Earnings per Share:</u>				
Income from Continuing Operations	\$ 1.09	\$ 0.92	\$ 2.16	\$ 1.44
Income from Discontinued Operations	-	0.03	-	0.07
Diluted Earnings per Share	\$ 1.09	\$ 0.95	\$ 2.16	\$ 1.51
Dividends per Common Share	\$ 0.285	\$ 0.245	\$ 0.57	\$ 0.49

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

See notes to condensed consolidated financial statements

BECTON, DICKINSON AND COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Thousands of dollars
(Unaudited)

	Six Months Ended March 31,	
	2008	2007
<u>Operating Activities</u>		
Net income	\$ 547,732	\$ 385,412
Income from discontinued operations, net	(1,201)	(18,822)
Income from continuing operations	546,531	366,590
Adjustments to income from continuing operations to derive net cash provided by continuing operating activities, net of amounts acquired:		
Depreciation and amortization	232,059	211,028
Share-based compensation	58,293	60,661
Deferred income taxes	(10,861)	(43,598)
Acquired in-process research and development	-	114,739
Change in working capital	(158,260)	(154,963)
Pension obligation	(963)	(54,967)
Other, net	19,485	12,057
Net Cash Provided by Continuing Operating Activities	686,284	511,547
<u>Investing Activities</u>		
Capital expenditures	(265,950)	(235,237)
Capitalized software	(23,514)	(10,198)
Purchases of investments, net	(31,454)	(57,003)
Acquisitions of businesses, net of cash acquired	-	(339,528)
Proceeds from discontinued operations	-	19,971
Other, net	(16,374)	(37,288)
Net Cash Used for Continuing Investing Activities	(337,292)	(659,283)
<u>Financing Activities</u>		
Change in short-term debt	261	(119,778)
Payments of debt	(366)	(100,258)
Repurchase of common stock	(276,355)	(224,835)
Excess tax benefits from payments under share-based compensation plans	50,486	32,052
Dividends paid	(139,438)	(120,140)
Issuance of common stock and other, net	51,608	74,758
Net Cash Used for Continuing Financing Activities	(313,804)	(458,201)
<u>Discontinued Operations</u>		
Net cash (used for) provided by operating activities	(379)	10,929
Effect of exchange rate changes on cash and equivalents	14,708	4,374
Net increase (decrease) in cash and equivalents	49,517	(590,634)
Opening Cash and Equivalents	511,482	1,000,289

Closing Cash and Equivalents	\$ 560,999	\$ 409,655
------------------------------	------------	------------

See notes to condensed consolidated financial statements

BECTON, DICKINSON AND COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Dollar and share amounts in thousands, except per share data
March 31, 2008

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 footnotes 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 2007 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 □ Accounting Change

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

The Company includes interest and penalties associated with unrecognized tax benefits as a component of the Income tax provision on the Condensed Consolidated Statements of Income. As of October 1, 2007, accrued interest and penalties related to unrecognized tax benefits, included in the total amount, were \$9,388. As of March 31, 2008, there have been no material changes in these amounts.

The Company conducts business and files tax returns in numerous countries and currently has tax audits in progress in a number of tax jurisdictions. The U.S. Internal Revenue Service (□IRS□) has completed its audit for the tax years through 2002; however, the tax years 2000 through 2002 remain open, with a single issue being considered in the IRS administrative appeals process. For the Company's other major tax jurisdictions where it conducts business, the Company's tax years are generally open after 2001.

Note 3 □ Comprehensive Income

Comprehensive income was comprised of the following:

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2008	2007	2008	2007
Net Income	\$ 276,185	\$ 242,533	\$ 547,732	\$ 385,412
Other Comprehensive Income (Loss), Net of Tax				
Foreign currency translation adjustments	171,957	22,822	200,205	98,299
Benefit plans adjustment	1,831	-	3,662	-
Unrealized losses on investments, net of amounts reclassified	25	(277)	25	(10,674)
Unrealized gains (losses) on cash flow hedges, net of amounts realized	481	573	1,790	(1,153)
	174,294	23,118	205,682	86,472
Comprehensive Income	\$ 450,479	\$ 265,651	\$ 753,414	\$ 471,884

The amount of unrealized losses or gains on investments and cash flow hedges in comprehensive income has been adjusted to reflect any realized gains and recognized losses included in net income during the three and six months ended March 31, 2008 and 2007. The change in foreign currency translation adjustments is primarily attributable to the stronger Euro versus the U.S. dollar for the six months ended March 31, 2008, compared with the six months ended March 31, 2007.

Note 4 - 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		Six Months Ended	
	March 31,		March 31,	
	2008	2007	2008	2007
Average common shares outstanding	244,869	245,418	244,580	245,484
Dilutive share equivalents from share-based plans	7,919	9,322	8,708	9,694
Average common and common equivalent shares outstanding □ assuming dilution	252,788	254,740	253,288	255,178

Note 5 - Contingencies

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

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

The Company is also named as a defendant in four purported class action suits brought on behalf of indirect purchasers of the Company's products, alleging that the Company violated federal antitrust laws, resulting in the charging of higher prices for the Company's products to the plaintiff and other purported class members. The cases filed are as follows: *Jabo's Pharmacy, Inc., et. al. v. Becton Dickinson & Company* (Case No. 2:05-CV-00162, U.S. District Court, Greenville, Tennessee) filed on June 7, 2005; *Drug Mart Tallman, Inc., et. al. v. Becton Dickinson and Company* (Case No. 2:06-CV-00174, U.S. District Court, Newark, New Jersey), filed on January 17, 2006; *Medstar v. Becton Dickinson* (Case No. 06-CV-03258-JLL (RJH), U.S. District Court, Newark, New Jersey), filed on May 18, 2006; and *The Hebrew Home for the Aged at Riverdale v. Becton Dickinson and Company* (Case No. 07-CV-2544, U.S. District Court, Southern District of New York), filed on March 28, 2007. A fifth purported class action on behalf of indirect purchasers (*International Multiple Sclerosis Management Practice v. Becton Dickinson & Company* (Case No. 2:07-cv-10602, U.S. District Court, Newark, New Jersey), filed on April 5, 2007) was voluntarily withdrawn by the plaintiff.

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

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

In June 2007, Retractable Technologies, Inc. ("RTI") filed a complaint against the Company under the caption *Retractable Technologies, Inc. vs. Becton Dickinson and Company* (Civil Action No. 2:07-cv-250, U.S. District Court, Eastern District of Texas). RTI alleges that the BD Integra[®] syringes infringe patents licensed exclusively to RTI. This patent claim was not covered by the release contained in the July 2004 settlement agreement between the Company and RTI to settle the lawsuit previously filed by RTI. In its complaint, RTI also alleges that the Company engaged in false advertising with respect to certain of the Company's safety-engineered products in violation of the Lanham Act; acted to exclude RTI from various product markets and to maintain its market share through, among other things, exclusionary contracts in violation of state and federal antitrust laws; and engaged in unfair competition. The non-patent claims purport to relate to actions allegedly taken by the Company following the date of the July 2004 settlement agreement referenced above. In January 2008, the court granted the Company's motion to sever the patent and non-patent claims into separate cases. The non-patent claims have been stayed, pending resolution of RTI's patent claims. The trial on the patent claims is currently scheduled to commence in March 2009. RTI seeks money damages and injunctive relief.

On April 1, 2008, RTI filed a complaint against BD under the caption *Retractable Technologies, Inc. and Thomas J. Shaw v. Becton Dickinson and Company* (Civil Action No. 2:08-cv-141, U.S. District Court, Eastern District of Texas). RTI alleges that the BD Integra[®] syringes infringe another patent licensed exclusively to RTI. RTI seeks money damages and injunctive relief.

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

- In Ohio, *Grant vs. Becton Dickinson et al.* (Case No. 98CVB075616, Franklin County Court), on September 21, 2006, the Ohio Court of Appeals reversed the trial court's grant of class certification. The matter has been remanded to the trial court for a determination of whether the class can be redefined.
- In South Carolina, a suit has been filed on behalf of an unspecified number of healthcare workers seeking class action certification in state court under the caption *Bales vs. Becton Dickinson et al.* (Case No. 98-CP-40-4343, Richland County Court of Common Pleas), filed on November 25, 1998.

On January 16, 2008, the plaintiffs in *Palmer vs. Becton Dickinson et al.* (Case No. CJ-98-685, Sequoyah County District Court), filed in state court in Oklahoma on October 27, 1998, filed a voluntary dismissal without prejudice.

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

The Company, along with a number of other manufacturers, was named as a defendant in approximately 524 product liability lawsuits in various state and Federal courts related to natural rubber latex gloves which the Company ceased manufacturing in 1995. Cases pending in Federal court are being coordinated under the matter *In re Latex Gloves Products Liability Litigation* (MDL Docket No. 1148) in Philadelphia, and analogous procedures have been implemented in the state courts of California, Pennsylvania, New Jersey and New York. Generally, these actions allege that medical personnel have suffered allergic reactions ranging from skin irritation to anaphylaxis as a result of exposure to medical gloves containing natural rubber latex. Since the inception of this litigation, 467 of these cases have been closed with no liability to the Company, and 46 cases have been settled for an aggregate de minimis amount.

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

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

As was previously reported, Becton Dickinson France, S.A., a subsidiary of the Company, was listed among approximately 2,200 other companies in an October 2005 report of the Independent Inquiry Committee (["IIC"]) of the United Nations (["UN"]) as having been involved in humanitarian contracts in which unauthorized payments were suspected of having been made to the Iraqi Government in connection with the UN's Oil-for-Food Programme (the ["Programme"]). The Company conducted an internal review and found no evidence that the Company or any

employee or representative of the Company made, authorized, or approved improper payments to the Iraqi Government in connection with the Programme. The Company reported the results of its internal review to the Vendor Review Committee of the United Nations Procurement Service. In May 2007, the French Judicial Police conducted searches of the Company's offices in France with respect to the matters that were the subject of the 2005 IIC report. The Company was informed that it is one of a number of companies named in the IIC report that is being investigated by the French Judicial Police. The Company is cooperating fully with the investigation.

In July 2007, the Company received notice of a suit instituted in Saudi Arabia by El Seif Development ("El Seif"), a former distributor of the Company (Case No. 7516, Board of Grievances, Saudi Arabia). El Seif sought monetary damages arising out of the termination of its distributor agreement and other contractual arrangements with the Company. This matter has been settled on terms that are not material to the Company.

On September 19, 2007, the Company was served with a qui tam complaint filed by a private party against the Company in the United States District Court, Northern District of Texas, alleging violations of the Federal False Claims Act ("FCA") and the Texas False Claims Act (the "TFCA") (*U.S. ex rel Fitzgerald v. BD et al.*, Civil Action No. 3:03-CV-1589, U.S. District Court, Northern District of Texas). Under the FCA, the United States Department of Justice, Civil Division has a certain period of time in which to decide whether to join the claim against the Company as an additional plaintiff; if not, the private plaintiff is free to pursue the claim on its own. A similar process is followed under the TFCA. To the Company's knowledge, no decision has yet been made by the Civil Division or the State of Texas whether to join this claim.

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

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

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

Given the uncertain nature of litigation generally, the Company is not able in all cases to estimate the amount or range of loss that could result from an unfavorable outcome of the litigation to which the Company is a party. In accordance with U.S. generally accepted accounting principles, the Company establishes accruals to the extent probable future losses are estimable (in the case of environmental matters, without considering possible third-party recoveries). In view of the uncertainties discussed above, the Company could incur charges in excess of any currently established accruals and, to the extent available, excess liability insurance. In the opinion of management, any such future charges, individually or in the aggregate, could have a material adverse effect on the Company's consolidated results of operations and consolidated cash flows.

Note 6 – Segment Data

The Company's organizational structure is based upon its three principal business segments: BD Medical (Medical), BD Diagnostics (Diagnostics), and BD Biosciences (Biosciences). The Company evaluates segment performance based upon operating income. Segment operating income represents revenues reduced by product costs and operating expenses. Financial information for the Company's segments was as follows:

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2008	2007	2008	2007
<u>Revenues (A)</u>				
Medical	\$ 922,252	\$ 844,144	\$ 1,831,536	\$ 1,670,391
Diagnostics	530,572	473,230	1,053,323	915,631
Biosciences	294,101	258,548	567,833	491,427
	\$ 1,746,925	\$ 1,575,922	\$ 3,452,692	\$ 3,077,449
<u>Segment Operating Income</u>				
Medical	\$ 251,288	\$ 234,132	\$ 513,696	\$ 480,274
Diagnostics	125,375	109,374	252,301	109,029 (B)
Biosciences	83,994	67,910	162,669	124,145
Total Segment Operating Income	460,657	411,416	928,666	713,448
Unallocated Items (C)	(78,361)	(90,080)	(179,798)	(177,404)
Income from Continuing				
Operations Before Income Taxes	\$ 382,296	\$ 321,336	\$ 748,868	\$ 536,044

(A) *Intersegment revenues are not material.*

(B) *Includes the acquired in-process research and development charge of \$114,739 recorded in 2007 related to the TriPath Imaging, Inc. acquisition.*

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2008	2007	2008	2007
<u>Revenues by Organizational Units</u>				
<u>BD Medical</u>				
Medical Surgical Systems	\$ 480,716	\$ 447,340	\$ 979,528	\$ 915,092
Diabetes Care	187,460	171,191	376,847	339,877
Pharmaceutical Systems	234,439	208,812	436,380	381,752
Ophthalmic Systems	19,637	16,801	38,781	33,670
	\$ 922,252	\$ 844,144	\$ 1,831,536	\$ 1,670,391
<u>BD Diagnostics</u>				
Preanalytical Systems	\$ 274,192	\$ 244,746	\$ 545,661	\$ 484,819
Diagnostic Systems	256,380	228,484	507,662	430,812
	\$ 530,572	\$ 473,230	\$ 1,053,323	\$ 915,631
<u>BD Biosciences</u>				
Cell Analysis (A)	\$ 219,721	\$ 188,213	\$ 424,834	\$ 357,203
Discovery Labware	74,380	70,335	142,999	134,224
	\$ 294,101	\$ 258,548	\$ 567,833	\$ 491,427
	\$ 1,746,925	\$ 1,575,922	\$ 3,452,692	\$ 3,077,449

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

Note 7 □ 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 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 March 31, 2008 and 2007, compensation expense charged to income was \$22,627 and \$26,050, respectively. For the six months ended March 31, 2008 and 2007, compensation expense was \$58,293 and \$60,661, respectively.

The amount of unrecognized compensation expense for all non-vested share-based awards as of March 31, 2008 was approximately \$151,501, which is expected to be recognized over a weighted-average remaining life of approximately 2.3 years.

The fair values of stock appreciation rights granted during the annual share-based grants in November of 2007 and 2006, respectively, were estimated on the date of grant using a lattice-based binomial valuation model based on the following assumptions: risk-free interest rates of 3.83% and 4.56%, respectively; expected volatility of 27% and 28%, respectively; expected dividend yield of 1.35% and 1.37%, respectively; and expected life of 6.5 years for both periods.

Note 8 □ 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.

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

	Pension Plans		Other Postretirement Benefits	
	2008	2007	2008	2007
Service cost	\$ 16,586	\$ 17,562	\$ 1,170	\$ 1,412
Interest cost	20,455	19,240	3,731	3,983
Expected return on plan assets	(24,402)	(22,529)	-	-
Amortization of prior service cost	(285)	49	(1,558)	(1,250)
Amortization of loss	1,997	4,388	1,045	1,162
Settlements	746	-	-	-
	\$ 15,097	\$ 18,710	\$ 4,388	\$ 5,307

Net pension and postretirement cost included the following components for the six months ended March 31:

	Pension Plans		Other Postretirement Benefits	
	2008	2007	2008	2007
Service cost	\$ 33,156	\$ 31,366	\$ 2,325	\$ 2,501
Interest cost	40,891	34,364	7,453	7,627
Expected return on plan assets	(48,780)	(40,239)	-	-
Amortization of prior service cost	(570)	88	(3,116)	(2,782)
Amortization of loss	3,992	7,838	2,033	2,328
Settlements	746	-	-	-
Net pension and postretirement cost	\$ 29,435	\$ 33,417	\$ 8,695	\$ 9,674

Postemployment benefit costs for the three months ended March 31, 2008 and 2007 were \$5,941 and \$6,029, respectively. For the six months ended March 31, 2008 and 2007, postemployment benefit costs were \$11,882 and \$12,057, respectively.

Note 9 □ Divestiture

In December 2006, the Company sold the blood glucose monitoring product line for \$19,971. The Company separately presents the results of the product line as discontinued operations.

Results of discontinued operations were as follows:

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2008	2007	2008	2007
Revenues	\$ 2,333	\$ 1,113	\$ 3,963	\$ 22,851
Income from discontinued operations before income taxes	897	11,216	1,935	30,184
Income tax provision	(347)	(4,222)	(734)	(11,362)
Income from discontinued operations, net	\$ 550	\$ 6,994	\$ 1,201	\$ 18,822

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

Company Overview

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

Financial Results

BD reported second quarter revenues of \$1.747 billion, representing an increase of 11% from the same period a year ago, and reflecting volume increases of approximately 6%, favorable foreign currency translation of approximately 5%, and price decreases of approximately 0.5%. Sales in the United States of safety-engineered devices of \$247 million in the second quarter of 2008 grew 4% above such sales in the prior year's period. International sales of safety-engineered devices of \$126 million in the second quarter of 2008 grew 33% above such sales in the prior year's period. Overall, second quarter international revenue growth of 17% above the prior year's period included a 10% favorable impact due to foreign currency translation. As further discussed in our 2007 Annual Report on Form 10-K, 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 the period. We purchase option and forward contracts to partially protect against adverse foreign exchange rate movements.

Results of Operations

Revenues

Refer to Note 6 in the Notes to Condensed Consolidated Financial Statements for segment financial data.

Medical Segment

Second quarter revenues of \$922 million represented an increase of \$78 million, or 9%, over the prior year's quarter, including an estimated \$47 million, or 6%, favorable impact due to foreign currency translation. Pharmaceutical Systems and Diabetes Care products led revenue growth in the segment. Global sales of safety-engineered products were \$174 million, as compared with \$160 million in the prior year's quarter. For the six-month period ended March 31, 2008, global sales of safety-engineered products were \$366 million, as compared with \$336 million in the prior year's period. Total BD Medical Segment revenues for the six-month period ended March 31, 2008 increased by 10% from the prior year six-month period.

Diagnostics Segment

Second quarter revenues of \$531 million represented an increase of \$57 million, or 12%, over the prior year's quarter, including an estimated \$20 million, or 4%, favorable impact due to foreign currency translation. The Preanalytical Systems unit of the segment reported revenue growth of 12% over the prior year's quarter. Global sales of safety-engineered products in the Preanalytical Systems unit totaled \$199 million, compared with \$174 million in the prior year's quarter due, in large part, to strong sales of BD Vacutainer® Push Button Blood Collection Sets in the current year's quarter. Revenues in the Diagnostic Systems unit of the segment increased 12% and reflect growth from TriPath products and molecular testing systems, which include GeneOhm, BD ProbeTec[®]ET and BD Viper[®] instruments. For the six-month period ended March 31, 2008, global sales of safety-engineered products in the Preanalytical Systems unit were \$395 million as compared with \$343 million in the prior year's period. Total BD Diagnostics Segment revenues for the six-month period ended March 31, 2008 increased by 15% from the prior year six-month period.

Biosciences Segment

Second quarter revenues of \$294 million represented an increase of \$36 million, or 14%, over the prior year's quarter, including an estimated \$15 million, or 6%, favorable impact due to foreign currency translation. Research instruments, as well as clinical and research reagents, continued to be primary growth drivers. For the six-month period ended March 31, 2008, total BD Biosciences Segment revenues increased by 16% from the prior year period.

Segment Operating Income

Medical Segment

Segment operating income for the second quarter was \$251 million, or 27.2% of Medical revenues, compared with \$234 million, or 27.7% of segment revenues, in the prior year's quarter. Gross profit margin was lower than the second quarter of 2007 primarily due to the unfavorable impact resulting from increased costs of raw materials, manufacturing start-up costs, inventory write-offs, and decreased sales of products with higher margins, which were partially offset by productivity gains and the favorable impact of foreign currency translation. See further discussion on gross profit margin below. Selling and administrative expense as a percent of Medical revenues in the second quarter of 2008 was significantly lower than the comparable amount in the second quarter of 2007, due to disciplined spending controls. Research and development expenses for the quarter increased \$1.4 million, or 5% above the prior year's period, reflecting increased investment in new products and platforms. Segment operating income for the six-month period was \$514 million, or 28.0% of Medical revenues, compared with \$480 million, or 28.8% in the prior year's period.

Diagnostics Segment

Segment operating income for the second quarter was \$125 million, or 23.6% of Diagnostics revenues, compared with \$109 million, or 23.1% of segment revenues in the prior year's quarter. Gross profit margin was lower than the second quarter of 2007. Increased sales of products with relatively higher margins and the favorable impact of foreign currency translation were more than offset by increased costs of raw materials. See further discussion on gross profit margin below. Selling and administrative expense as a percentage of Diagnostics revenues in the second quarter of 2008 was lower than the comparable amount in the second quarter of 2007, due to

disciplined spending controls. Research and development expenses in the second quarter of 2008 increased \$3.4 million, or 11%, primarily due to investment in new products. Segment operating income for the six-month period was \$252 million, or 24.0% of Diagnostics revenues. The prior year's segment operating income was \$109 million, which reflected the acquired in-process research and development charge of \$115 million associated with the TriPath acquisition.

Biosciences Segment

Segment operating income for the second quarter was \$84 million, or 28.6% of Biosciences revenues, compared with \$68 million, or 26.3% of segment revenues, in the prior year's quarter. Gross profit margin as a percentage of revenues increased due to the favorable impact of foreign currency translation, productivity gains, as well as increased sales of products with higher margins. See further discussion on gross profit margin below. Selling and administrative expense as a percent of Biosciences revenues for the quarter decreased compared with the prior year's quarter, as a result of disciplined spending controls. Research and development spending in the quarter increased \$2.5 million, or 14% above the prior year period, reflecting increased investment in new product development. Segment operating income for the six-month period was \$163 million, or 28.6% of Biosciences revenues, compared with \$124 million, or 25.3% in the prior year's period.

Gross Profit Margin

Gross profit margin was 51.1% for the second quarter, compared with 51.5% for the comparable prior year period. Gross profit margin in the second quarter of 2008 as compared with the prior year's period reflected an estimated 0.7% unfavorable impact resulting from increased costs of raw materials, primarily resins, and manufacturing start-up costs and an estimated 0.3% favorable impact of foreign currency translation. Increased sales of products with relatively higher margins and productivity gains were offset by, among other things, inventory write-offs. Gross profit margin in the six-month period of 2008 of 51.2% as compared with the prior year's period of 52.1% reflected an estimated 0.5% unfavorable impact resulting from increased costs of raw materials, as well as manufacturing start-up costs and an estimated 0.2% unfavorable impact of foreign currency translation. Increased sales of products with relatively higher margins and productivity gains were more than offset by, among other things, asset write-offs, resulting in an estimated net unfavorable impact of 0.2%. We expect gross profit margin to decrease by about 30 to 40 basis points in 2008 compared to 2007. Increased costs of raw materials, manufacturing start-up costs, and the asset write-offs recorded in the first and second quarters of 2008 are anticipated to more than offset expected improvements.

Selling and Administrative Expense

Selling and administrative expense was 23.8% of revenues for the second quarter and 24.2% for the six-month period, compared with 25.8% and 25.7%, respectively, for the prior year's periods. The increase in aggregate expenses for the current period reflect an unfavorable foreign exchange impact of \$19 million, which was partially offset by decreases in base spending of \$10 million. The increase in aggregate expenses in the six-month period reflect an unfavorable foreign exchange impact of \$38 million and \$7 million of expenses associated with TriPath, which was acquired in December 2006. Selling and administrative expense as a percentage of revenues is expected to decrease by about 80 basis points in 2008 compared to 2007.

Research and Development Expense

Research and development expense was \$96 million, or 5.5% of revenues for the second quarter, which increased 11%, compared with the prior year's amount of \$87 million, or 5.5% of revenues. Research and development expense was \$188 million, or 5.4% of revenues, for the six-month period in the current year, compared with the prior year's amount of \$167 million, or 5.4% of revenues. The increase in research and development expenditures reflect increased spending for new programs in each of our segments for the three and six-month periods ended 2008. We anticipate Research and development expense to increase by about 11% for 2008 above the prior year.

Non-Operating Expense and Income

Interest income was \$8 million in the second quarter, and \$22 million in the six-month period, compared with \$9 million and \$25 million, respectively, in the prior year's periods. The favorable impact of higher investment levels was more than offset by lower interest rates. Interest expense was \$8 million in the second quarter and \$18 million in the six-month period, compared with \$12 million and \$25 million, respectively, in the prior year's periods, which reflects a decline in interest rates and higher levels of capitalized interest.

Income Taxes

The income tax rate was 27.9% for the second quarter, compared with the prior year's rate of 26.7% . The six-month tax rate was 27.0% compared with the prior year's rate of 31.6% . The prior year's six-month rate reflected the non-deductibility of the acquired in-process research and development charges associated with the TriPath acquisition, which was partially offset by the impact of approximately 0.8% resulting from the retroactive reinstatement of the research and experimentation tax credit. The Company expects the reported tax rate for 2008 to be about 27.5% .

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 second quarter of 2008 were \$276 million and \$1.09, respectively. Income from continuing operations and diluted earnings per share from continuing operations for the prior year's second quarter were \$236 million and 92 cents, respectively. For the six-month periods, income from continuing operations and diluted earnings per share from continuing operations were \$547 million and \$2.16, respectively, in 2008 and \$367 million and \$1.44, respectively in 2007. The prior year's period reflected the acquired in-process research and development charge associated with the TriPath acquisition of \$115 million or 45 cents per share.

Liquidity and Capital Resources

Net cash provided by continuing operating activities, which continues to be our primary source of funds to finance operating needs and capital expenditures, was \$686 million during the first six months of 2008, compared with \$512 million in the same period in 2007.

Net cash used for continuing investing activities for the first six months of the current year was \$337 million, compared with \$659 million in the prior year period. The prior year amount reflects the payment of \$340 million of net cash for the TriPath acquisition. Capital expenditures were \$266 million in the first six months of 2008 and \$235 million in the same period in 2007. We expect capital spending for 2008 to be about \$650 million.

Net cash used for continuing financing activities for the first six months of the current year was \$314 million, compared with \$458 million in the prior year period. As of March 31, 2008, total debt of \$1.2 billion represented 19.3% of total capital (shareholders' equity, net non-current deferred income tax liabilities, and debt), versus 20.9% at September 30, 2007. Short-term debt was 18% of total debt at the end of March 31, 2008 and September 30, 2007, respectively. Issuance of common stock is net of cash outflows resulting from share repurchases to satisfy minimum tax withholding on share-based compensation vested or exercised.

For the first six months of the current year, the Company repurchased \$276 million of its common stock, compared with approximately \$225 million of its common stock in the prior year period. At March 31, 2008, authorization to repurchase an additional 7.9 million common shares remained.

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 March 31, 2008. During the first quarter of 2008, we amended our syndicated credit facility to extend the expiration date from December 2011 to December 2012. This credit facility, under which there were no borrowings outstanding at March 31, 2008, 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 17-to-1 to 27-to-1. In addition, we have informal lines of credit outside the United States.

Contractual Obligations

The contractual obligations table as of September 30, 2007, included in the "Financial Review" section of our 2007 Annual Report, did not reflect amounts associated with uncertain tax positions. As a result of the adoption on October 1, 2007 of Financial Accounting Standards Board ("FASB") Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" (see Note 2 to the Condensed Consolidated Financial Statements), our year-end disclosure of contractual obligations will now include information concerning uncertain tax positions. As of March 31, 2008, there have been no significant changes in our contractual obligations.

Cautionary Statement Regarding Forward-Looking Statements

BD and its representatives may from time-to-time make certain forward-looking statements in publicly-released material, both written and oral, including statements contained in this report and filings with the Securities and Exchange Commission ("SEC") and in our other reports to shareholders. Forward-looking statements may be identified by the use of words like "plan," "expect," "believe," "intend," "will," "anticipate," "estimate" and other 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, and statements expressing views about future operating results -- are forward-looking.

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

The following are some important factors that could cause our actual results to differ from our expectations in any forward-looking statements:

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

- Adoption of, or changes, in government laws and regulations affecting domestic and foreign operations, including those relating to trade, monetary and fiscal policies, taxation, environmental matters, sales practices, price controls, licensing and regulatory approval of new products, regulatory requirements for products in the postmarketing phase, or changes in enforcement practices with respect to any such laws and regulations. In particular, environmental laws, particularly with respect to the emission of greenhouse gases, are becoming more stringent throughout the world, which may increase our costs of operations or necessitate changes in our manufacturing plants or processes.
- Fluctuations in U.S. and international governmental funding and policies for life science research.
- Difficulties inherent in product development, including the potential inability to successfully continue technological innovation, complete clinical trials, obtain regulatory approvals in the United States and abroad, obtain coverage and adequate reimbursement for new products, or gain and maintain market approval of products, as well as the possibility of encountering infringement claims by competitors with respect to patent or other intellectual property rights, all of which can preclude or delay commercialization of a product.
- Pending and potential litigation or other proceedings adverse to BD, including antitrust claims, product liability claims, patent infringement claims and the availability or collectibility of insurance.
- The effects, if any, of adverse media exposure or other publicity regarding BD's business or operations.
- Our ability to achieve earnings forecasts, which are generated based on projected volumes and sales of many product types, some of which are more profitable than others. There can be no assurance that we will achieve the projected level or mix of product sales.
- The effect of market fluctuations on the value of assets in BD's pension plans and the possibility that BD may need to make additional contributions to the plans as a result of any decline in the value of such assets.
- Our ability to effect infrastructure enhancements and incorporate new systems technologies into our operations.
- Product efficacy or safety concerns resulting in product recalls, regulatory action on the part of the U.S. Food and Drug Administration (or foreign counterparts) or declining sales.
- Economic and political conditions in international markets, including civil unrest, terrorist activity, governmental changes, restrictions on the ability to transfer capital across borders and expropriation of assets by a government.

Edgar Filing: BECTON DICKINSON & CO - Form 10-Q

- The effects of natural disasters, including hurricanes or pandemic diseases, on our ability to manufacture our products, particularly where production of a product line is concentrated in one or more plants, or on our ability to source components from suppliers that are needed for such manufacturing.
- Our ability to penetrate developing and emerging markets, which also depends on economic and political conditions, and how well we are able to acquire or form strategic business alliances with local companies and make necessary infrastructure enhancements to production facilities, distribution networks, sales equipment and technology.
- The impact of business combinations, including acquisitions and divestitures, both internally on BD and externally on the healthcare industry.
- Issuance of new or revised accounting standards by the Financial Accounting Standards Board or the SEC.

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.

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, 2007.

Item 4. Controls and Procedures

An evaluation was carried out by BD's management, with the participation of our 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 March 31, 2008. 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.

BD is in the process of migrating certain of its international locations from their legacy general ledger system to BD's enterprise resource planning ("ERP") system. During the quarter ended March 31, 2008, eight of these locations have transitioned to the ERP general ledger system and the remaining less significant locations will transition during the remainder of fiscal year 2008. This transition was not in response to any identified deficiency or weakness in our internal control over financial reporting.

There were no other changes in our internal control over financial reporting during the fiscal quarter ended March 31, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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 2007 Annual Report on Form 10-K and subsequent filings with the Securities and Exchange Commission.

Since December 31, 2007, the following developments have occurred with respect to the legal proceedings in which we are involved:

Needlestick Class Actions

On January 16, 2008, the plaintiffs in *Palmer vs. Becton Dickinson et. al.* (Case No. CJ-98-685, Sequoyah County District Court), filed in state court in Oklahoma on October 27, 1998, filed a voluntary dismissal without prejudice.

Retractable Technologies

In January 2008, the court in Retractable Technologies, Inc. vs. Becton Dickinson and Company (Civil Action No. 2:07-cv-250, U.S. District Court, Eastern District of Texas) granted BD's motion to sever the plaintiff's patent and non-patent claims into separate cases. The non-patent claims have been stayed, pending resolution of the plaintiff's patent claims. The trial on the patent claims is currently scheduled for March 2009.

On April 1, 2008, Retractable Technologies, Inc. (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.

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 of litigation, 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.

Item
1A. Risk Factors

There have been no material changes from the risk factors disclosed in Part 1, Item 1A, of our Annual Report on Form 10-K for the 2007 fiscal year.

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 March 31, 2008.

Issuer Purchases of Equity Securities

For the three months ended March 31, 2008	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)
January 1 □ 31, 2008	307,040	\$86.00	300,000	9,311,814
February 1 □ 29, 2008	1,004,335	\$89.25	1,000,000	8,311,814
March 1 □ 31, 2008	450,981	\$85.71	450,000	7,861,814
Total	1,762,356	\$87.78	1,750,000	7,861,814

- (1) Includes 6,577 shares purchased during the quarter in open market transactions by the trust relating to BD's Deferred Compensation Plan and 1996 Directors' Deferral Plan, and 5,779 shares delivered to BD in connection with stock option exercises.
- (2) These repurchases were made pursuant to a repurchase program covering 10 million shares authorized by the Board of Directors of BD on July 24, 2007 (the "2007 Program"). There is no expiration date for the 2007 Program.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

Our Annual Meeting of Shareholders was held on January 29, 2008, at which the following matters were voted upon:

- i.) A management proposal for the election of five directors for the terms indicated below was voted upon as follows:

<u>Nominee</u>	<u>Term</u>	<u>Votes</u>	
		<u>For Votes</u>	<u>Withheld</u>
Basil L. Anderson	3 Years	217,003,936	4,546,941
Marshall O. Larsen	3 Years	216,687,878	4,862,999
Gary A. Mecklenburg	3 Years	217,243,382	4,307,495
Cathy E. Minehan	3 Years	167,485,929	54,064,948
Alfred Sommer	3 Years	190,608,193	30,942,684

The directors whose term of office as a director continued after the meeting are: Henry P. Becton, Jr., Edward F. DeGraan, Claire M. Fraser-Liggett, Edward J. Ludwig, Adel A.F. Mahmoud, James F. Orr, Willard J. Overlock, Jr. and Bertram L. Scott.

- ii.) A management proposal to ratify the selection of Ernst & Young, LLP as independent registered public accounting firm for the fiscal year ending September 30, 2008 was voted upon. 217,209,892 shares were voted for the proposal, 2,534,609 shares were voted against, and 1,806,376 shares abstained.
- iii.) A shareholder proposal requesting that the Board of Directors take the necessary steps to provide for the annual election of directors was voted upon. 165,660,344 shares were voted for the proposal, 33,089,524 shares were voted against, 2,561,047 shares abstained, and there were 20,239,961 broker non- votes.
- iv.) A shareholder proposal requesting that the Board of Directors take the necessary steps to provide for cumulative voting in the election of directors was voted upon. 71,175,797 shares were voted for the proposal, 127,873,513 shares were voted against, 2,261,605 shares abstained, and there were 20,239,961 broker non-votes.
- v.) A shareholder proposal requesting that the Company provide an environmental report was voted upon. 53,282,419 shares were voted for the proposal, 94,125,388 shares were voted against, 53,903,109 shares abstained, and there were 20,239,961 broker non-votes.

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.

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: May 7, 2008

/s/ John R. Considine
John R. Considine
Vice Chairman and
Chief Financial Officer
(Principal Financial Officer)

/s/ William A. Tozzi
William A. Tozzi
Vice President - Finance
(Chief Accounting Officer)

INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Description of Exhibits</u>
31	Certifications of Chief Executive Officer and Chief Financial Officer, pursuant to SEC Rule 13a - 14(a).
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.