

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

(Mark One)

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

For the quarterly period ended June 30, 2022
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)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$1.00	BDX	New York Stock Exchange
Depository Shares, each representing a 1/20th interest in a share of 6.00% Mandatory Convertible Preferred Stock, Series B	BDXB	New York Stock Exchange
1.000% Notes due December 15, 2022	BDX22A	New York Stock Exchange
1.900% Notes due December 15, 2026	BDX26	New York Stock Exchange
1.401% Notes due May 24, 2023	BDX23A	New York Stock Exchange
3.020% Notes due May 24, 2025	BDX25	New York Stock Exchange
0.632% Notes due June 4, 2023	BDX/23A	New York Stock Exchange
1.208% Notes due June 4, 2026	BDX/26A	New York Stock Exchange
1.213% Notes due February 12, 2036	BDX/36	New York Stock Exchange
0.000% Notes due August 13, 2023	BDX23B	New York Stock Exchange
0.034% Notes due August 13, 2025	BDX25A	New York Stock Exchange

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 check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

There were 285,195,112 shares of Common Stock, \$1.00 par value, outstanding at June 30, 2022.

BECTON, DICKINSON AND COMPANY
FORM 10-Q
For the quarterly period ended June 30, 2022

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ITEM 1. FINANCIAL STATEMENTS
BECTON, DICKINSON AND COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
Millions of dollars, except per share data
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
Revenues	\$ 4,641	\$ 4,607	\$ 14,109	\$ 14,282
Cost of products sold	2,574	2,649	7,709	7,738
Selling and administrative expense	1,149	1,200	3,527	3,434
Research and development expense	315	330	956	911
Acquisition-related integration and restructuring expense	55	24	118	121
Other operating expense (income), net	11	(88)	7	208
Total Operating Costs and Expenses	<u>4,104</u>	<u>4,114</u>	<u>12,316</u>	<u>12,412</u>
Operating Income	537	492	1,793	1,870
Interest expense	(99)	(115)	(294)	(358)
Interest income	5	2	9	7
Other (expense) income, net	(21)	(1)	(45)	22
Income from Continuing Operations Before Income Taxes	421	378	1,463	1,541
Income tax provision (benefit)	31	(28)	115	92
Net Income from Continuing Operations	390	407	1,348	1,450
(Loss) Income from Discontinued Operations, Net of Tax	(30)	118	144	378
Net Income	360	525	1,491	1,827
Preferred stock dividends	(23)	(23)	(68)	(68)
Net income applicable to common shareholders	<u>\$ 338</u>	<u>\$ 502</u>	<u>\$ 1,424</u>	<u>\$ 1,760</u>
Basic Earnings per Share				
Income from Continuing Operations	\$ 1.29	\$ 1.33	\$ 4.49	\$ 4.76
(Loss) Income from Discontinued Operations	(0.10)	0.41	0.50	1.30
Basic Earnings per Share	<u>\$ 1.18</u>	<u>\$ 1.73</u>	<u>\$ 4.99</u>	<u>\$ 6.06</u>
Diluted Earnings per Share				
Income from Continuing Operations	\$ 1.28	\$ 1.32	\$ 4.45	\$ 4.72
(Loss) Income from Discontinued Operations	(0.10)	0.40	0.50	1.29
Diluted Earnings per Share	<u>\$ 1.18</u>	<u>\$ 1.72</u>	<u>\$ 4.95</u>	<u>\$ 6.00</u>
Dividends per Common Share				
	<u>\$ 0.87</u>	<u>\$ 0.83</u>	<u>\$ 2.61</u>	<u>\$ 2.49</u>

Amounts may not add due to rounding.
See notes to condensed consolidated financial statements

BECTON, DICKINSON AND COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Millions of dollars
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
Net Income	\$ 360	\$ 525	\$ 1,491	\$ 1,827
Other Comprehensive Income (Loss), Net of Tax				
Foreign currency translation adjustments	203	19	322	68
Defined benefit pension and postretirement plans	11	14	32	72
Cash flow hedges	37	(34)	74	78
Other Comprehensive Income (Loss), Net of Tax	250	(1)	428	218
Comprehensive Income	<u>\$ 610</u>	<u>\$ 524</u>	<u>\$ 1,919</u>	<u>\$ 2,045</u>

Amounts may not add due to rounding.

See notes to condensed consolidated financial statements

BECTON, DICKINSON AND COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
Millions of dollars
(Unaudited)

	June 30, 2022	September 30, 2021
<u>Assets</u>		
Current Assets:		
Cash and equivalents	\$ 2,558	\$ 2,283
Restricted cash	202	109
Short-term investments	14	12
Trade receivables, net	2,218	2,350
Inventories:		
Materials	726	628
Work in process	407	381
Finished products	2,030	1,734
	3,163	2,743
Prepaid expenses and other	1,392	1,048
Current assets of discontinued operations	—	293
Total Current Assets	9,547	8,838
Property, Plant and Equipment	12,405	12,093
Less allowances for depreciation and amortization	6,399	6,090
Property, Plant and Equipment, Net	6,005	6,003
Goodwill	23,968	23,886
Developed Technology, Net	8,764	9,417
Customer Relationships, Net	2,592	2,815
Other Intangibles, Net	531	541
Other Assets	1,793	1,945
Noncurrent Assets of Discontinued Operations	—	423
Total Assets	\$ 53,199	\$ 53,866
<u>Liabilities and Shareholders' Equity</u>		
Current Liabilities:		
Current debt obligations	\$ 1,682	\$ 500
Payables, accrued expenses and other current liabilities	5,398	5,969
Current liabilities of discontinued operations	—	157
Total Current Liabilities	7,080	6,626
Long-Term Debt	14,683	17,110
Long-Term Employee Benefit Obligations	1,009	1,228
Deferred Income Taxes and Other Liabilities	4,934	5,209
Noncurrent Liabilities of Discontinued Operations	—	17
Commitments and Contingencies (See Note 5)		
Shareholders' Equity		
Preferred stock	2	2
Common stock	365	365
Capital in excess of par value	19,511	19,272
Retained earnings	15,088	13,826
Deferred compensation	24	23
Treasury stock	(7,836)	(7,723)
Accumulated other comprehensive loss	(1,660)	(2,088)
Total Shareholders' Equity	25,493	23,677
Total Liabilities and Shareholders' Equity	\$ 53,199	\$ 53,866

Amounts may not add due to rounding.
See notes to condensed consolidated financial statements

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

	Nine Months Ended June 30,	
	2022	2021
Operating Activities		
Net income	\$ 1,491	\$ 1,827
Less: Income from discontinued operations, net of tax	144	378
Income from continuing operations, net of tax	1,348	1,450
Adjustments to net income from continuing operations to derive net cash provided by continuing operating activities:		
Depreciation and amortization	1,648	1,648
Share-based compensation	184	182
Deferred income taxes	(99)	(95)
Change in operating assets and liabilities	(1,445)	173
Pension obligation	(126)	52
Product liability-related charge	—	296
Other, net	(11)	(421)
Net Cash Provided by Continuing Operating Activities	1,498	3,285
Investing Activities		
Capital expenditures	(658)	(742)
Acquisitions, net of cash acquired	(450)	(283)
Other, net	(107)	(137)
Net Cash Used for Continuing Investing Activities	(1,215)	(1,162)
Financing Activities		
Proceeds from long-term debt	—	1,715
Distribution from Embecta Corp. (see Note 2)	1,266	—
Net transfer of cash to Embecta upon spin-off	(265)	—
Payments of debt	(305)	(1,999)
Repurchases of common stock	—	(1,000)
Dividends paid	(812)	(789)
Other, net	(70)	(91)
Net Cash Used for Continuing Financing Activities	(187)	(2,164)
Discontinued Operations		
Net cash provided by operating activities	163	411
Net cash used for investing activities	(11)	(24)
Net cash provided by financing activities	145	—
Net Cash Provided by Discontinued Operations	298	387
Effect of exchange rate changes on cash and equivalents and restricted cash	(26)	18
Net increase in cash and equivalents and restricted cash	368	365
Opening Cash and Equivalents and Restricted Cash	2,392	2,917
Closing Cash and Equivalents and Restricted Cash	\$ 2,759	\$ 3,282

Amounts may not add due to rounding.
See notes to condensed consolidated financial statements

BECTON, DICKINSON AND COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022

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 Becton, Dickinson and Company (the "Company" or "BD"), include all adjustments which are of a normal recurring nature, necessary for a fair presentation of the financial position and the results of operations and cash flows for the periods presented. However, the financial statements do not include all information and accompanying notes required for a presentation in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's 2021 Annual Report on Form 10-K.

On April 1, 2022, the Company completed the spin-off of its Diabetes Care business as a separate publicly traded company and the historical results of the Diabetes Care business that was contributed in the spin-off have been reflected as discontinued operations in the Company's condensed consolidated financial statements for all periods prior to the spin-off date. Additional disclosures regarding the spin-off are provided in Note 2.

Within the financial statements and tables presented, certain columns and rows 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. 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 – Spin-Off of Embecta Corp.

On April 1, 2022, the Company completed the spin-off of its Diabetes Care business as a separate publicly traded company named Embecta Corp. ("Embecta") through a distribution of Embecta's publicly traded common stock (listed on NASDAQ under the ticker symbol "EMBC") to BD's shareholders of record as of the close of business on March 22, 2022 (the "record date"). The Company distributed one share of Embecta common stock for every five common shares of BD outstanding as of the record date and shareholders received cash in lieu of fractional shares of Embecta common stock. BD retained no ownership interest in Embecta subsequent to the spin-off. The distribution is expected to qualify and has been treated as tax-free to the Company and its shareholders for U.S. federal income tax purposes.

Embecta's distributions on March 31, 2022 to the Company in connection with the spin-off included the issuance of \$200 million of senior unsecured notes to the Company and a cash distribution of approximately \$1.266 billion. Additional disclosures regarding the various financing transactions entered into by Embecta and related to the spin-off are provided in Note 13.

The Company and Embecta entered into various agreements to effect the spin-off and provide a framework for the relationship between the Company and Embecta after the spin-off. Such agreements include the separation and distribution agreement, as well as the following ongoing agreements: a cannula supply agreement, an intellectual property matters agreement, a transition services agreement, manufacturing and supply agreements, a lease agreement, a distribution agreement to support commercial operations, a logistics services agreement and other agreements including an employee matters agreement and a tax matters agreement. Under these agreements, the Company will continue to provide certain products and services to Embecta following the spin-off. The agreements do not provide the Company with the ability to influence the operating or financial policies of Embecta subsequent to the spin-off date. Amounts included in the Company's condensed consolidated statements of income during the three months ended June 30, 2022 as a result of these agreements were immaterial.

The historical results of the Diabetes Care business (previously included in BD's Medical segment) that was contributed to Embecta in the spin-off, as well as interest expense related to indebtedness incurred by Embecta prior to the spin-off date, have been reflected as discontinued operations in the Company's condensed consolidated financial statements for all periods prior to the spin-off date of April 1, 2022.

Details of *Income from Discontinued Operations, Net of Tax* are as follows:

Millions of dollars	Three Months Ended	Nine Months Ended	
	June 30,	June 30,	
	2021	2022	2021
Revenues	\$ 284	\$ 538	\$ 831
Cost of products sold	80	143	235
Selling and administrative expense	37	78	101
Research and development expense	15	32	41
Acquisition-related integration and restructuring expense	—	—	6
Other operating expense, net	16	95	16
Total Operating Costs and Expenses	148	348	398
Operating Income	136	190	434
Interest expense	—	(4)	—
Other income, net	—	—	2
Income from Discontinued Operations Before Income Taxes	136	186	435
Income tax provision	18	42	57
Income from Discontinued Operations, Net of Tax	\$ 118	\$ 144	\$ 378

During the three months ended June 30, 2022, the Company incurred \$30 million of expense which included costs to execute the spin-off and other costs for related residual activities. These costs are recorded within *(Loss) Income from Discontinued Operations, Net of Tax* for the three and nine months ended June 30, 2022. Separation costs incurred by the Company prior to the spin-off date, including those for consulting, legal, tax and other advisory services associated with the spin-off, were previously recorded within *Other operating expense (income), net* and are now included as a component of *(Loss) Income from Discontinued Operations, Net of Tax*.

The Company's *Revenues* and *Cost of products sold* from continuing operations were recast to reflect previously eliminated intercompany transactions that occurred between BD and Embecta and that resulted in a third-party sale in the same period. The impacts of these transactions to Embecta are also reflected as a component of *(Loss) Income from Discontinued Operations, Net of Tax*.

The following amounts associated with the Diabetes Care business are classified as assets and liabilities of discontinued operations in the Company's condensed consolidated balance sheet at September 30, 2021:

Millions of dollars	September 30, 2021
Assets	
Trade receivables, net	\$ 147
Inventories	123
Prepaid expenses and other	23
Current Assets of Discontinued Operations	293
Property, Plant and Equipment, Net	390
Goodwill and Other Intangibles, Net	27
Other Assets	6
Noncurrent Assets of Discontinued Operations	\$ 423
Liabilities	
Accounts payable	\$ 54
Accrued expenses	75
Salaries, wages and related items	28
Current Liabilities of Discontinued Operations	157
Deferred Income Taxes and Other Liabilities	16
Noncurrent Liabilities of Discontinued Operations	\$ 17

The Company recorded its distribution of net liabilities to Embecka as an increase in *Retained earnings*. The amount recorded reflected the carrying amounts, as of April 1, 2022, of the net liabilities distributed and included \$1.650 billion of debt issued by Embecka, as further discussed above and in Note 13, as well as \$65 million of cash. The Company also recorded a net decrease to *Accumulated other comprehensive loss* of \$251 million to derecognize foreign currency translation losses which were attributable to Embecka.

In connection with the spin-off of Embecka, all outstanding (vested and unvested) BD share-based awards which had been granted to Embecka employees were converted into Embecka awards. These awards preserved the same intrinsic value, as well as general terms and conditions, of the original BD awards, as required by the terms of the BD awards. The Company also adjusted share-based awards which had been granted to BD employees so that the intrinsic value of these awards after the spin-off equaled the awards' intrinsic value prior to the spin-off. These conversions and adjustments did not materially impact the number of BD share-based awards outstanding.

Note 3 – Shareholders' Equity

Changes in certain components of shareholders' equity for the first three quarters of fiscal years 2022 and 2021 were as follows:

(Millions of dollars)	Common Stock Issued at Par Value	Capital in Excess of Par Value	Retained Earnings	Deferred Compensation	Treasury Stock	
					Shares (in thousands)	Amount
Balance at September 30, 2021	\$ 365	\$ 19,272	\$ 13,826	\$ 23	(80,164)	\$ (7,723)
Net income	—	—	677	—	—	—
Common dividends (\$0.87 per share)	—	—	(248)	—	—	—
Preferred dividends	—	—	(23)	—	—	—
Common stock issued for share-based compensation and other plans, net	—	(71)	—	—	762	19
Share-based compensation	—	83	—	—	—	—
Common stock held in trusts, net (a)	—	—	—	—	(5)	—
Repurchase of common stock (b)	—	150	—	—	(462)	(150)
Balance at December 31, 2021	\$ 365	\$ 19,435	\$ 14,233	\$ 24	(79,869)	\$ (7,855)
Net income	—	—	454	—	—	—
Common dividends (\$0.87 per share)	—	—	(248)	—	—	—
Preferred dividends	—	—	(23)	—	—	—
Common stock issued for share-based compensation and other plans, net	—	(21)	—	1	284	14
Share-based compensation	—	56	—	—	—	—
Common stock held in trusts, net (a)	—	24	—	—	9	(24)
Balance at March 31, 2022	\$ 365	\$ 19,495	\$ 14,416	\$ 24	(79,575)	\$ (7,866)
Net income	—	—	360	—	—	—
Common dividends (\$0.87 per share)	—	—	(248)	—	—	—
Preferred dividends	—	—	(23)	—	—	—
Common stock issued for share-based compensation and other plans, net	—	(9)	—	—	122	5
Share-based compensation	—	50	—	—	—	—
Common stock held in trusts, net (a)	—	(24)	—	—	9	24
Spin-off of Embecta (See Note 2)	—	—	583	—	—	—
Balance at June 30, 2022	\$ 365	\$ 19,511	\$ 15,088	\$ 24	(79,445)	\$ (7,836)

(Millions of dollars)	Common Stock Issued at Par Value	Capital in Excess of Par Value	Retained Earnings	Deferred Compensation	Treasury Stock	
					Shares (in thousands)	Amount
Balance at September 30, 2020	\$ 365	\$ 19,270	\$ 12,791	\$ 23	(74,623)	\$ (6,138)
Net income	—	—	1,003	—	—	—
Common dividends (\$0.83 per share)	—	—	(242)	—	—	—
Preferred dividends	—	—	(23)	—	—	—
Common stock issued for share-based compensation and other plans, net	—	(53)	—	—	549	2
Share-based compensation	—	83	—	—	—	—
Common stock held in trusts, net (a)	—	—	—	—	(7)	—
Effect of change in accounting principles	—	—	(9)	—	—	—
Balance at December 31, 2020	\$ 365	\$ 19,301	\$ 13,522	\$ 23	(74,080)	\$ (6,136)
Net income	—	—	299	—	—	—
Common dividends (\$0.83 per share)	—	—	(242)	—	—	—
Preferred dividends	—	—	(23)	—	—	—
Common stock issued for share-based compensation and other plans, net	—	(15)	—	—	234	4
Share-based compensation	—	55	—	—	—	—
Common stock held in trusts, net (a)	—	—	—	—	23	—
Balance at March 31, 2021	\$ 365	\$ 19,341	\$ 13,557	\$ 23	(73,821)	\$ (6,132)
Net income	—	—	525	—	—	—
Common dividends (\$0.83 per share)	—	—	(239)	—	—	—
Preferred dividends	—	—	(23)	—	—	—
Common stock issued for share-based compensation and other plans, net	—	(9)	—	—	87	5
Share-based compensation	—	50	—	—	—	—
Common stock held in trusts, net (a)	—	—	—	—	8	—
Repurchase of common stock	—	(100)	—	—	(3,724)	(900)
Balance at June 30, 2021	\$ 365	\$ 19,282	\$ 13,821	\$ 23	(77,450)	\$ (7,027)

- (a) Common stock held in trusts consists of the Company's shares held in rabbi trusts in connection with deferred compensation under the Company's employee salary and bonus deferral plan and directors' deferral plan. During the second quarter of fiscal year 2022, the common stock held in trusts was temporarily replaced with the Company's Series C preferred shares to adhere to trust requirements until the Company's spin-off of its Diabetes Care business was completed on April 1, 2022.
- (b) Represents shares received upon final settlement of an accelerated share repurchase agreement, and the related forward sale contract, entered into during the fourth quarter of fiscal year 2021. The share repurchases were 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. In November 2021, the Board of Directors authorized the Company to repurchase up to an additional 10 million shares of BD common stock, for which there is also no expiration date.

The components and changes of *Accumulated other comprehensive income (loss)* for the first three quarters of fiscal years 2022 and 2021 were as follows:

(Millions of dollars)	Total	Foreign Currency Translation	Benefit Plans	Cash Flow Hedges
Balance at September 30, 2021	\$ (2,088)	\$ (1,292)	\$ (784)	\$ (10)
Other comprehensive income (loss) before reclassifications, net of taxes	34	41	—	(7)
Amounts reclassified into income, net of taxes	11	—	11	—
Balance at December 31, 2021	\$ (2,043)	\$ (1,251)	\$ (774)	\$ (17)
Other comprehensive income before reclassifications, net of taxes	122	78	—	44
Amounts reclassified into income, net of taxes	11	—	11	—
Balance at March 31, 2022	\$ (1,910)	\$ (1,173)	\$ (763)	\$ 28
Other comprehensive (loss) income before reclassifications, net of taxes	(13)	(48)	—	35
Amounts reclassified into income, net of taxes	12	—	11	2
Spin-off of Embecta (see Note 2)	251	251	—	—
Balance at June 30, 2022	\$ (1,660)	\$ (970)	\$ (752)	\$ 64

(Millions of dollars)	Total	Foreign Currency Translation	Benefit Plans	Cash Flow Hedges
Balance at September 30, 2020	\$ (2,548)	\$ (1,416)	\$ (1,040)	\$ (91)
Other comprehensive income before reclassifications, net of taxes	115	64	24	27
Amounts reclassified into income, net of taxes	19	—	18	2
Balance at December 31, 2020	\$ (2,414)	\$ (1,352)	\$ (998)	\$ (62)
Other comprehensive income (loss) before reclassifications, net of taxes	64	(15)	—	78
Amounts reclassified into income, net of taxes	21	—	16	5
Balance at March 31, 2021	\$ (2,329)	\$ (1,367)	\$ (982)	\$ 21
Other comprehensive (loss) income before reclassifications, net of taxes	(16)	19	—	(34)
Amounts reclassified into income, net of taxes	15	—	14	1
Balance at June 30, 2021	\$ (2,330)	\$ (1,348)	\$ (967)	\$ (13)

The amounts of foreign currency translation recognized in other comprehensive income during the three and nine months ended June 30, 2022 and 2021 included net gains (losses) relating to net investment hedges. Other comprehensive income relating to benefit plans during the three months ended December 31, 2020 represented a net gain recognized as a result of the Company's remeasurement, as of October 31, 2020, of the legacy Bard U.S. defined pension benefit plan upon its merger with the BD defined benefit cash balance pension plan in the first quarter of fiscal year 2021. The amounts recognized in other comprehensive income relating to cash flow hedges during the three and nine months ended June 30, 2022 and 2021 are primarily related to forward starting interest rate swaps. Additional disclosures regarding amounts the Company recognized in other comprehensive income relating to cash flow hedges during the three and nine months ended June 30, 2022 and 2021 are provided in Note 11.

The tax impacts for amounts recognized in other comprehensive income (loss) before reclassifications and for reclassifications out of *Accumulated other comprehensive income (loss)* relating to benefit plans and cash flow hedges during the three and nine months ended June 30, 2022 and 2021 were immaterial to the Company's consolidated financial results.

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 June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
Average common shares outstanding	285,441	289,522	285,121	290,401
Dilutive share equivalents from share-based plans	1,818	2,375	2,279	2,693
Dilutive share equivalents from Series C preferred shares (a)	38	—	31	—
Average common and common equivalent shares outstanding – assuming dilution	287,297	291,897	287,431	293,094
Share equivalents excluded from the diluted shares outstanding calculation:				
Mandatory convertible preferred stock (b)	6,084	6,168	6,084	6,168
Share-based plans (c)	—	763	—	755

- (a) Represents dilutive share equivalents from Series C preferred shares that temporarily replaced shares of common stock held in trusts to adhere to trust requirements until the Company's spin-off of its Diabetes Care business on April 1, 2022 was completed.
- (b) Excluded from the diluted shares outstanding calculation because the result would have been antidilutive.
- (c) Excluded from the diluted earnings per share calculation as the exercise prices of these awards were greater than the average market price of the Company's common shares.

Note 5 – Contingencies

The Company is involved, both as a plaintiff and a defendant, in various legal proceedings that arise in the ordinary course of business, including, without limitation, product liability and environmental matters in certain U.S. and international locations. 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 litigation in which the Company is a party. In accordance with U.S. GAAP, the Company establishes accruals to the extent probable future losses are estimable (and in the case of environmental matters, without considering possible third-party recoveries). With respect to putative class action lawsuits in the United States and certain of the Canadian lawsuits described below, the Company is unable to estimate a range of reasonably possible losses for the following reasons: (i) all or certain of the proceedings are in early stages; (ii) the Company has not received and reviewed complete information regarding all or certain of the plaintiffs and their medical conditions; and/or (iii) there are significant factual issues to be resolved. In addition, there is uncertainty as to the likelihood of a class being certified or the ultimate size of any class. With respect to the civil investigative demands ("CIDs") served by the Department of Justice which are discussed below, the Company is unable to estimate a range of reasonably possible losses for the following reasons: (i) all or certain of the proceedings are in early stages; and/or (ii) there are significant factual and legal issues to be resolved.

Product Liability Matters

As of June 30, 2022, the Company is defending approximately 30,290 product liability claims involving the Company's line of hernia repair devices (collectively, the "Hernia Product Claims"). The majority of those claims are currently pending in a coordinated proceeding in Rhode Island State Court ("RI") and in a federal multi-district litigation ("MDL") established in the Southern District of Ohio, but claims are also pending in other state and/or federal court jurisdictions. In addition, those claims include multiple putative class actions in Canada. Generally, the Hernia Product Claims seek damages for personal injury allegedly resulting from use of the products. From time to time, the Company engages in resolution discussions with plaintiffs' law firms regarding certain of the Hernia Product Claims, but the Company also intends to vigorously defend Hernia Product Claims that do not settle, including through litigation.

- The first bellwether trial in the hernia MDL resulted in a complete defense verdict in favor of the Company in September 2021 after five weeks of trial.
- The second hernia MDL bellwether resulted in a \$255 thousand verdict in April 2022 after four weeks of trial.

Trials are currently scheduled in various state and/or federal courts, including one that began in July 2022 in RI. The Company expects additional trials of Hernia Product Claims to take place over the next 12 months.

The Company also continues to be a defendant in certain other mass tort litigation. As of June 30, 2022, the Company is defending product liability claims involving the Company's line of pelvic mesh products, the majority of which are pending in various federal court jurisdictions and in a coordinated proceeding in New Jersey Superior Court. Also, as of June 30, 2022, the Company is defending product liability claims involving the Company's line of inferior vena cava ("IVC") filter products. The majority of those claims are pending in various federal court jurisdictions after having been remanded from the MDL in the United States District Court for the District of Arizona.

In most product liability litigations (like those described above), plaintiffs allege a wide variety of claims, ranging from allegations of serious injury caused by the products to efforts to obtain compensation notwithstanding the absence of any injury. In many of these cases, the Company has not yet received and reviewed complete information regarding the plaintiffs and their medical conditions and, consequently, is unable to fully evaluate the claims. The Company expects that it will receive and review additional information regarding any remaining unsettled product liability matters.

Other Legal Matters

On February 27, 2020, a putative class action captioned *Kabak v. Becton, Dickinson and Company, et al.*, Civ. No. 2:20-cv-02155 (SRC) (CLW), now captioned *Industriens Pensionsforsikring v. Becton, Dickinson and Company, et al.*, was filed in the U.S. District Court for the District of New Jersey against the Company and certain of its officers. The complaint, which purports to be brought on behalf of all persons (other than defendants) who purchased or otherwise acquired the Company's common stock from November 5, 2019 through February 5, 2020, asserts claims for purported violations of Sections 10 and 20 of the Securities Exchange Act of 1934 and Securities and Exchange Commission ("SEC") Rule 10b-5 promulgated thereunder, and seeks, among other things, damages and costs. The complaint alleges that defendants concealed certain material information regarding Alaris™ infusion pumps, allegedly rendering certain public statements about the Company's business, operations and prospects false or misleading, thereby allegedly causing investors to purchase stock at an inflated price. The plaintiff filed a second amended complaint to add certain additional factual allegations on February 3, 2021. This complaint was dismissed on the Company's motion on September 15, 2021. The court's dismissal order, however, gave plaintiff an opportunity to replead, which it did on October 29, 2021. The Company moved to dismiss the newly amended pleading on December 16, 2021. That motion is fully briefed and pending. The Company believes that these allegations are without merit and it intends to defend itself vigorously.

On November 2, 2020, a civil action captioned *Jankowski v. Forlenza, et al.*, Civ. No. 2:20-cv-15474, was filed in the U.S. District Court for the District of New Jersey by a shareholder, Ronald Jankowski, derivatively on behalf of the Company, against its individual directors and certain of its officers. The complaint seeks recovery for breach of fiduciary duties by directors and various officers; violations of the Securities Exchange Act of 1934, including sections 10(b), 14(a) and 21D; and insider trading. In general, the complaint also alleges, among other things, that various directors and/or officers caused the Company to issue purportedly misleading statements and SEC filings regarding Alaris™ infusion pumps, and issue a purportedly misleading proxy statement. The complaint seeks damages, including restitution and disgorgement of profits, and an injunction requiring the Company to undertake remedial measures with respect to certain corporate governance and internal procedures. A second derivative action, *Schranz v. Polen, et al.*, Civ. No. 2:21-cv-01081 (D. N.J.), was filed on January 24, 2021, and the two actions were consolidated. In March 2021, the Company received letters from two additional shareholders which, in general, mirrored the allegations in the *Jankowski* and *Schranz* consolidated actions, and demanded, among other things, that the Board of Directors pursue civil action against members of management for claimed breaches of fiduciary duties. Consistent with New Jersey law, the Board appointed a special committee to review the allegations and demands in the derivative actions and demand letters. Following an investigation, the special committee determined that no action was warranted, and rejected the shareholders' demands. The special committee's determination has been communicated to counsel for the shareholders. Should the shareholders continue to pursue their claims in court, the Company will take appropriate steps to seek dismissal of the complaints.

In May 2017, the Company was sued by a competitor in the Northern District of New York, alleging antitrust violations related to certain aspects of the Company's medical delivery solutions business in a case captioned *AngioDynamics, Inc. v. C. R. Bard, Inc. et al.*, Civ. No. 1:17-CV-0598. Pretrial activity in the case is ongoing. The Company believes it has meritorious defenses and is vigorously defending the case, which has been set for trial on September 19, 2022.

In February 2021, the Company received a subpoena from the Enforcement Division of the SEC requesting information from the Company relating to, among other things, Alaris™ infusion pumps. The Company is cooperating with the SEC and responding to these requests. The Company cannot anticipate the timing, scope, outcome or possible impact of the investigation, financial or otherwise.

In April 2019, the Department of Justice served the Company and CareFusion with CIDs seeking information regarding certain of CareFusion's contracts with the Department of Veteran's Affairs for certain products, including Alaris™ and Pyxis™

devices, in connection with a civil investigation of possible violations of the False Claims Act, and the government recently expanded the investigation to include several additional contracts. The government has made several requests for documents and interviews or depositions of Company personnel. The Company is cooperating with the government and responding to these requests.

In September 2021, the Company received a CID related to an inquiry initiated by the Northern District of Georgia in 2018. The requests concern sales and marketing practices with respect to certain aspects of the Company's urology business. The government has made requests for documents and has interviewed employees. The inquiry is ongoing and the Company is cooperating with the government and responding to its requests.

In September 2021, the Company was served with a complaint from the New Mexico Attorney General, alleging violations of the state's consumer protection laws in connection with the sales and marketing of its IVC filters. The Company's motion to dismiss certain of the claims was granted on May 10, 2022, and discovery is proceeding. The Company intends to vigorously defend itself in the litigation. As the case is in its early stages, the Company cannot anticipate the timing, scope, outcome or possible impact at present.

In July 2021, the Company became aware of lawsuits that had been filed against it in state and federal courts in Georgia. The suits were filed by plaintiffs who reside near Company facilities in Covington, GA, where ethylene oxide ("EtO") sterilization activities take place. There are currently approximately 210 of such suits involving approximately 310 plaintiffs. The claims allege a variety of injuries, including but not limited to multiple types of cancer, allegedly attributable to exposure to EtO in the ambient air. The Company has meritorious defenses and intends to defend itself vigorously.

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

The Company cannot predict the outcome of these other legal matters discussed above, nor can it predict whether any outcome will have a material adverse effect on the Company's consolidated results of operations and/or consolidated cash flows. Accordingly, the Company has made no provisions for these other legal matters in its consolidated results of operations.

The Company is a potentially responsible party to a number of federal administrative proceedings in the United States brought under the Comprehensive Environment Response, Compensation and Liability Act, also known as "Superfund," and similar state laws. We also are subject to administrative proceedings under environmental laws in jurisdictions outside the U.S. The affected sites are in varying stages of development. In some instances, the remedy has been completed, while in others, environmental studies are underway or commencing. For several sites, there are other potentially responsible parties that may be jointly or severally liable to pay all or part of cleanup costs. While it is not feasible to predict the outcome of these proceedings, based upon the Company's experience, current information and applicable law, the Company does not expect these proceedings to have a material adverse effect on its consolidated results of operations and/or consolidated cash flows.

Litigation Accruals

The Company regularly monitors and evaluates the status of product liability and other legal matters, and may, from time-to-time, engage in settlement and mediation discussions taking into consideration developments in the matters and the risks and uncertainties surrounding litigation. These discussions could result in settlements of one or more of these claims at any time.

Accruals for the Company's product liability claims which are discussed above, as well as the related legal defense costs, amounted to approximately \$2 billion and \$2.5 billion at June 30, 2022 and September 30, 2021, respectively. These accruals are largely recorded within *Deferred Income Taxes and Other Liabilities* on the Company's condensed consolidated balance sheets.

In view of the uncertainties discussed above, the Company could incur charges in excess of any currently established accruals and, to the extent available, 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/or consolidated cash flows.

Note 6 – Revenues

The Company's policies for recognizing sales have not changed from those described in the Company's 2021 Annual Report on Form 10-K. The Company sells a broad range of medical supplies, devices, laboratory equipment and diagnostic products which are distributed through independent distribution channels and directly by BD through sales representatives. End-users of

the Company's products include healthcare institutions, physicians, life science researchers, clinical laboratories, the pharmaceutical industry and the general public.

Measurement of Revenues

The Company's allowance for doubtful accounts reflects the current estimate of credit losses expected to be incurred over the life of its trade receivables. Such estimated credit losses are determined based on historical loss experiences, customer-specific credit risk, and reasonable and supportable forward-looking information, such as country or regional risks that are not captured in the historical loss information. The allowance for doubtful accounts for trade receivables is not material to the Company's consolidated financial results.

The Company's gross revenues are subject to a variety of deductions which are recorded in the same period that the underlying revenues are recognized. Such variable consideration includes rebates, sales discounts and sales returns. The Company's rebate liability at June 30, 2022 and September 30, 2021 was \$526 million and \$500 million, respectively. The impact of other forms of variable consideration, including sales discounts and sales returns, is not material to the Company's revenues.

Effects of Revenue Arrangements on Consolidated Balance Sheets

Capitalized contract costs associated with the costs to fulfill contracts for certain products in the Medication Management Solutions organizational unit are immaterial to the Company's condensed consolidated balance sheets. Commissions relating to revenues recognized over a period longer than one year are recorded as assets which are amortized over the period over which the revenues underlying the commissions are recognized. Capitalized contract costs related to such commissions are immaterial to the Company's condensed consolidated balance sheets.

Contract liabilities for unearned revenue that is allocable to performance obligations, such as extended warranty and software maintenance contracts, which are performed over time are immaterial to the Company's consolidated financial results. The Company's liability for product warranties provided under its agreements with customers is not material to its condensed consolidated balance sheets.

Remaining Performance Obligations

The Company's obligations relative to service contracts and pending installations of equipment, primarily in the Company's Medication Management Solutions unit, represent unsatisfied performance obligations of the Company. The revenues under existing contracts with original expected durations of more than one year, which are attributable to products and/or services that have not yet been installed or provided are estimated to be approximately \$2.2 billion at June 30, 2022. The Company expects to recognize the majority of this revenue over the next three years.

Within the Company's Medication Management Solutions, Medication Delivery Solutions, Integrated Diagnostic Solutions, and Biosciences units, some contracts also contain minimum purchase commitments of reagents or other consumables and the future sales of these consumables represent additional unsatisfied performance obligations of the Company. The revenue attributable to the unsatisfied minimum purchase commitment-related performance obligations, for contracts with original expected durations of more than one year, is estimated to be approximately \$2.1 billion at June 30, 2022. This revenue will be recognized over the customer relationship periods.

Disaggregation of Revenues

A disaggregation of the Company's revenues by segment, organizational unit and geographic region is provided in Note 7.

Note 7 – Segment Data

The Company's organizational structure is based upon three worldwide business segments: BD Medical ("Medical"), BD Life Sciences ("Life Sciences") and BD Interventional ("Interventional"). The Company's segments are strategic businesses that are managed separately because each one develops, manufactures and markets distinct products and services. Segment disclosures are on a performance basis consistent with internal management reporting. The Company evaluates performance of its business segments and allocates resources to them primarily based upon segment operating income, which represents revenues reduced by product costs and operating expenses.

Prior to its spin-off on April 1, 2022, the Company reported the Diabetes Care business as an organizational unit within the Medical segment. As such, historical financial information of the Medical segment has been recast in the tables below to reflect the total segment revenues from continuing operations. Revenues and operating income from the Diabetes Care business prior to its spin-off are included in *(Loss) Income from Discontinued Operations, Net of Tax*. See Note 2 for further information.

Revenues by segment, organizational unit and geographical areas for the three and nine-month periods are detailed below. The Company has no material intersegment revenues.

in millions of dollars)	Three Months Ended June 30,					
	2022			2021		
	United States	International	Total	United States	International	Total
Life Sciences						
Intrathecal Delivery Solutions (a)	\$ 621	\$ 439	\$ 1,061	\$ 562	\$ 456	1,019
Intrathecal Management Solutions	463	144	607	459	139	597
Intrathecal Therapeutic Systems (a)	135	388	523	112	363	475
Total segment revenues	\$ 1,219	\$ 971	\$ 2,191	\$ 1,133	\$ 958	2,091
Pharmaceuticals						
Specialty Diagnostic Solutions	\$ 499	\$ 461	\$ 961	\$ 435	\$ 682	1,117
Specialty Therapeutics	147	201	348	124	192	316
Total segment revenues	\$ 646	\$ 663	\$ 1,309	\$ 559	\$ 874	1,433
Medical Devices						
Medical Devices	\$ 274	\$ 77	\$ 352	\$ 267	\$ 69	336
Medical Intervention	255	208	463	238	198	436
Medical Imaging and Critical Care	248	79	326	227	83	310
Total segment revenues	\$ 777	\$ 364	\$ 1,142	\$ 732	\$ 350	1,082
Total Company revenues from continuing operations	\$ 2,643	\$ 1,998	\$ 4,641	\$ 4,244	\$ 2,182	4,607

(a) Certain prior-period amounts were recast to reflect former intercompany transactions with Embeckta.

(Millions of dollars)	Nine Months Ended June 30,					
	2022			2021		
	United States	International	Total	United States	International	Total
Medical						
Medication Delivery Solutions (a)	\$ 1,831	\$ 1,375	\$ 3,207	\$ 1,665	\$ 1,382	\$ 3,046
Medication Management Solutions	1,408	430	1,838	1,376	417	1,793
Pharmaceutical Systems (a)	363	1,057	1,420	292	984	1,276
Total segment revenues	\$ 3,602	\$ 2,863	\$ 6,465	\$ 3,333	\$ 2,783	\$ 6,116
Life Sciences						
Integrated Diagnostic Solutions	\$ 1,732	\$ 1,524	\$ 3,255	\$ 1,904	\$ 2,141	\$ 4,045
Biosciences	405	617	1,022	365	588	953
Total segment revenues	\$ 2,136	\$ 2,140	\$ 4,277	\$ 2,269	\$ 2,729	\$ 4,998
Interventional						
Surgery	\$ 824	\$ 229	\$ 1,053	\$ 757	\$ 203	\$ 960
Peripheral Intervention	712	615	1,327	692	590	1,282
Urology and Critical Care	740	247	987	672	255	926
Total segment revenues	\$ 2,276	\$ 1,091	\$ 3,367	\$ 2,120	\$ 1,047	\$ 3,168
Total Company revenues from continuing operations	\$ 8,014	\$ 6,095	\$ 14,109	\$ 7,722	\$ 6,560	\$ 14,282

(a) Certain prior-period amounts were recast to reflect former intercompany transactions with Embecta.

Segment income for the three and nine-month periods was as follows:

(Millions of dollars)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
	Income from Continuing Operations Before Income Taxes			
Medical (a)	\$ 573	\$ 486	\$ 1,587	\$ 1,474
Life Sciences	414	432	1,366	1,953
Interventional	293	214	826	725
Total Segment Operating Income	1,280	1,132	3,778	4,152
Unallocated acquisition-related integration and restructuring expense	(36)	(24)	(99)	(121)
Net interest expense	(94)	(113)	(285)	(351)
Other unallocated items (b)	(728)	(618)	(1,932)	(2,141)
Total Income from Continuing Operations Before Income Taxes	\$ 421	\$ 378	\$ 1,463	\$ 1,541

- (a) The amount for the nine months ended June 30, 2022 includes a non-cash asset impairment charge of \$4 million recorded to *Cost of products sold* in the Medical segment.
- (b) Primarily comprised of foreign exchange, certain general and administrative expenses and share-based compensation expense. The amount for the nine months ended June 30, 2021 also included pre-tax charges of \$296 million recorded to *Other operating expense (income), net* related to certain product liability matters, including the related legal defense costs, which are further discussed in Note 5.

Note 8 – Benefit Plans

The Company has defined benefit pension plans covering certain employees in the United States and certain international locations. The measurement date used for these plans is September 30.

Net pension cost included the following components for the three and nine-month periods:

(Millions of dollars)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
Service cost	\$ 38	\$ 35	\$ 106	\$ 113
Interest cost	21	16	59	53
Expected return on plan assets	(52)	(40)	(146)	(129)
Amortization of prior service credit	(4)	(3)	(12)	(10)
Amortization of loss	17	22	48	73
Curtailement/Settlement (Gain) Loss	(1)	6	5	6
Net pension cost	\$ 19	\$ 36	\$ 61	\$ 106

The amounts provided above for amortization of prior service credit and amortization of loss represent the reclassifications of prior service credits and net actuarial losses that were recognized in *Accumulated other comprehensive income (loss)* in prior periods. All components of the Company's net periodic pension and postretirement benefit costs, aside from service cost, are recorded to *Other (expense) income, net* on its consolidated statements of income. Net pension costs related to employees transferred to Embecta and reflected in *(Loss) Income from Discontinued Operations, Net of Tax* were immaterial. Additionally, the Company's transfer of employees to Embecta did not materially impact the Company's benefit obligations.

Note 9 – Business Restructuring Charges

The Company incurred restructuring costs during the nine months ended June 30, 2022, primarily in connection with the Company's simplification and other cost saving initiatives, which were largely recorded within *Acquisition-related integration and restructuring expense*. These simplification and other costs saving initiatives are focused on reducing complexity, enhancing product quality, refining customer experience, and improving cost efficiency across all of the Company's segments. Restructuring liability activity for the nine months ended June 30, 2022 was as follows:

(Millions of dollars)	Employee Termination	Other	Total
Balance at September 30, 2021	\$ 14	\$ 5	\$ 19
Charged to expense	7	65	72
Cash payments	(9)	(45)	(54)
Non-cash settlements	—	(20)	(20)
Balance at June 30, 2022	\$ 12	\$ 5	\$ 17

Note 10 – Intangible Assets

At September 30, 2021, goodwill and other intangible assets related to the Diabetes Care business were classified as *Noncurrent Assets of Discontinued Operations*. For additional information, see Note 2.

Intangible assets consisted of:

(Millions of dollars)	June 30, 2022			September 30, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets						
Developed technology	14,498	(5,738)	8,760	14,399	(4,988)	9,411
Customer relationships	4,677	(2,085)	2,592	4,653	(1,838)	2,815
Product rights	107	(78)	29	123	(83)	40
Trademarks	408	(151)	257	409	(137)	272
Patents and other	542	(344)	198	523	(339)	184
Amortized intangible assets	<u>20,231</u>	<u>(8,398)</u>	<u>11,833</u>	<u>20,106</u>	<u>(7,385)</u>	<u>12,721</u>
Unamortized intangible assets						
Acquired in-process research and development	44		\$ 44	44		\$ 44
Trademarks	2			2		
Unamortized intangible assets	<u>46</u>		<u>\$ 46</u>	<u>46</u>		<u>\$ 46</u>

Intangible amortization expense for the three months ended June 30, 2022 and 2021 was \$357 million and \$351 million, respectively. Intangible amortization expense for the nine months ended June 30, 2022 and 2021 was \$1.064 billion and \$1.049 billion, respectively.

The following is a reconciliation of goodwill by business segment:

(Millions of dollars)	Medical	Life Sciences	Interventional	Total
Goodwill as of September 30, 2021	\$ 10,240	\$ 836	\$ 12,810	\$ 23,886
Acquisitions (a)	—	71	205	276
Purchase price allocation adjustments	—	(1)	(2)	(3)
Currency translation	(81)	(11)	(98)	(191)
Goodwill as of June 30, 2022	<u>\$ 10,158</u>	<u>\$ 895</u>	<u>\$ 12,915</u>	<u>\$ 23,968</u>

(a) Represents goodwill recognized relative to certain acquisitions which were not material individually or in the aggregate.

Note 11 – Derivative Instruments and Hedging Activities

The Company uses derivative instruments to mitigate certain exposures. The Company does not enter into derivative financial instruments for trading or speculative purposes. The effects these derivative instruments and hedged items had on the Company's balance sheets and the fair values of the derivatives outstanding at June 30, 2022 and September 30, 2021 were not material. The effects on the Company's financial performance and cash flows are provided below.

Foreign Currency Risks and Related Strategies

The Company has foreign currency exposures throughout Europe, Greater Asia, Canada and Latin America. Transactional currency exposures that arise from entering into transactions, generally on an intercompany basis, in non-hyperinflationary countries that are denominated in currencies other than the functional currency are mitigated primarily through the use of forward contracts. In order to mitigate foreign currency exposure relating to its investments in certain foreign subsidiaries, the Company has hedged the currency risk associated with those investments with certain instruments, such as foreign currency-denominated debt and cross-currency swaps, which are designated as net investment hedges, as well as currency exchange contracts.

The notional amounts of the Company's foreign currency-related derivative instruments as of June 30, 2022 and September 30, 2021 were as follows:

(Millions of dollars)	Hedge Designation	June 30, 2022	September 30, 2021
Foreign exchange contracts (a)	Undesignated	\$ 1,698	\$ 2,735
Foreign currency-denominated debt (b)	Net investment hedges	2,309	2,543
Cross-currency swaps (c)	Net investment hedges	910	1,958

- (a) Represent hedges of transactional foreign exchange exposures resulting primarily from intercompany payables and receivables. Gains and losses on these instruments are recognized immediately in income. These gains and losses are largely offset by gains and losses on the underlying hedged items, as well as the hedging costs associated with the derivative instruments. Net amounts recognized in *Other (expense) income, net*, during the three and nine months ended June 30, 2022 and 2021 were immaterial to the Company's consolidated financial results.
- (b) Represents foreign currency-denominated long-term notes outstanding which were effective as economic hedges of net investments in certain of the Company's foreign subsidiaries.
- (c) Represents cross-currency swaps which were effective as economic hedges of net investments in certain of the Company's foreign subsidiaries.

Net gains or losses relating to the net investment hedges, which are attributable to changes in the foreign currencies to U.S. dollar spot exchange rates, are recorded as accumulated foreign currency translation in *Other comprehensive income (loss)*. Upon the termination of a net investment hedge, any net gain or loss included in *Accumulated other comprehensive income (loss)* relative to the investment hedge remains until the foreign subsidiary investment is disposed of or is substantially liquidated.

Net gains (losses) recorded to *Accumulated other comprehensive income (loss)* relating to the Company's net investment hedges for the three and nine-month periods were as follows:

(Millions of dollars)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
Foreign currency-denominated debt	\$ 99	\$ (4)	\$ 193	\$ (25)
Cross-currency swaps	84	(16)	129	(100)

Interest Rate Risks and Related Strategies

The Company uses a mix of fixed and variable rate debt to manage its interest rate exposure, and periodically uses interest rate swaps to manage such exposures. Under these interest rate swaps, the Company exchanges, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated as either cash flow or fair value hedges.

Changes in the fair value of the interest rate swaps designated as cash flow hedges (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk) are recorded in *Other comprehensive income (loss)*. If interest

rate derivatives designated as cash flow hedges are terminated, the balance in *Accumulated other comprehensive income (loss)* attributable to those derivatives is reclassified into earnings, within *Interest expense*, over the remaining life of the hedged debt. The amounts reclassified from accumulated other comprehensive income relating to cash flow hedges during the three and nine months ended June 30, 2022 and 2021, as well as the amounts expected to be reclassified within the next 12 months, are not material to the Company's consolidated financial results.

The Company recorded net after-tax gains (losses) of \$37 million and \$(34) million during the three months ended June 30, 2022 and 2021, respectively, and net after-tax gains of \$77 million and \$71 million during the nine months ended June 30, 2022 and 2021, respectively, in *Other comprehensive income* relating to interest rate hedges. The gains recorded during the current three and nine-month periods were driven by a net after-tax gain of \$41 million that was realized upon the Company's termination of \$500 million of forward starting interest rate swaps.

For interest rate swaps designated as fair value hedges (i.e., hedges against the exposure to changes in the fair value of an asset or a liability or an identified portion thereof that is attributable to a particular risk), changes in the fair value of the interest rate swaps offset changes in the fair value of the fixed rate debt due to changes in market interest rates. Amounts recorded during the three and nine months ended June 30, 2022 and 2021 were immaterial to the Company's consolidated financial results.

The notional amounts of the Company's interest rate-related derivative instruments as of June 30, 2022 and September 30, 2021 were as follows:

(Millions of dollars)	Hedge Designation	June 30, 2022	September 30, 2021
Interest rate swaps (a)	Fair value hedges	\$ 700	\$ 700
Forward starting interest rate swaps (b)	Cash flow hedges	500	1,000

(a) Represents fixed-to-floating interest rate swap agreements the Company entered into to convert the interest payments on certain long-term notes from the fixed rate to a floating interest rate based on LIBOR.

(b) Represents interest rate derivatives entered into to mitigate exposure to interest rate risk related to future debt issuances.

Other Risk Exposures

The Company purchases resins, which are oil-based components used in the manufacture of certain products. Significant increases in world oil prices that lead to increases in resin purchase costs could impact future operating results. From time to time, the Company has managed price risks associated with these commodity purchases through commodity derivative forward contracts. The Company's outstanding commodity derivative forward contracts at June 30, 2022 were immaterial to the Company's consolidated financial results and the Company had no outstanding commodity derivative forward contracts at September 30, 2021.

Note 12 – Financial Instruments and Fair Value Measurements

The following reconciles cash and equivalents and restricted cash reported within the Company's consolidated balance sheets at June 30, 2022 and September 30, 2021 to the total of these amounts shown on the Company's consolidated statements of cash flows:

(Millions of dollars)	June 30, 2022	September 30, 2021
Cash and equivalents	\$ 2,558	\$ 2,283
Restricted cash	202	109
Cash and equivalents and restricted cash	<u>\$ 2,759</u>	<u>\$ 2,392</u>

Cash equivalents consist of all highly liquid investments with a maturity of three months or less at time of purchase. Restricted cash consists of cash restricted from withdrawal and usage except for certain product liability matters.

The fair values of the Company's financial instruments are as follows:

(Millions of dollars)	Basis of fair value measurement	June 30, 2022	September 30, 2021
Institutional money market accounts and ultra-short bond fund (a)	Level 1	\$ 650	\$ 200
Current portion of long-term debt (b)	Level 2	1,678	503
Long-term debt (b)	Level 2	13,390	18,537

- (a) These financial instruments are recorded within *Cash and equivalents* on the consolidated balance sheets. The institutional money market accounts permit daily redemption. The fair values of these investments are based upon the quoted prices in active markets provided by the holding financial institutions.
- (b) Long-term debt is recorded at amortized cost. The fair value of long-term debt is measured based upon quoted prices in active markets for similar instruments.

Short-term investments are held to their maturities and are carried at cost, which approximates fair value. The short-term investments consist of instruments with maturities greater than three months and less than one year. All other instruments measured by the Company at fair value, including derivatives and contingent consideration liabilities, are immaterial to the Company's consolidated balance sheets.

Nonrecurring Fair Value Measurements

In the third quarter of fiscal year 2022, the Company recorded non-cash asset impairment charges of \$1 million to *Cost of products sold* in the Life Sciences segment and \$19 million to *Acquisition-related integration and restructuring expense* in the Medical segment. In the second quarter of fiscal year 2022, the Company recorded a non-cash asset impairment charge of \$54 million to *Cost of products sold* in the Medical segment. In the first quarter of fiscal year 2021, the Company recorded charges to *Cost of products sold* of \$29 million to write down the carrying value of certain fixed assets. The amounts recognized were recorded to adjust the carrying amount of assets to the assets' fair values, which were estimated, based upon a market participant's perspective, using Level 3 inputs, including values estimated using the income approach.

Transfers of trade receivables

Over the normal course of its business activities, the Company transfers certain trade receivable assets to third parties under factoring agreements. Per the terms of these agreements, the Company surrenders control over its trade receivables upon transfer. Accordingly, the Company accounts for the transfers as sales of trade receivables by recognizing an increase to *Cash and equivalents* and a decrease to *Trade receivables, net* when proceeds from the transactions are received. The costs incurred by the Company in connection with factoring activities were not material to its consolidated financial results. The amounts transferred and yet to be remitted under factoring arrangements are provided below.

(Millions of dollars)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
Trade receivables transferred to third parties under factoring arrangements	\$ 215	\$ 284	\$ 650	\$ 1,071
	June 30, 2022		September 30, 2021	
Amounts yet to be collected and remitted to the third parties	\$ 215	\$ 118		

Note 13 – Debt

In February 2022, Embecta, as a wholly-owned subsidiary of the Company, issued \$500 million of 5.000% senior secured notes due February 15, 2030, in advance of the Company's spin-off of Embecta, which is further discussed in Note 2.

On March 31, 2022, Embecta entered into an indenture dated April 1, 2022 to issue \$00 million of 6.750% senior secured notes due February 15, 2030. These notes were issued to the Company as part of the consideration for assets transferred to Embecta in connection with the spin-off. After the spin-off was effective on April 1, 2022, the Company exchanged these notes for \$199 million of the aggregate principal amount outstanding on the Company's Floating Rate Notes due June 6, 2022, which were purchased through a tender offer. The carrying value of the long-term notes tendered was \$199 million, and the Company recognized a loss on this debt extinguishment of \$2 million, which was recorded in the third quarter of fiscal year 2022 within *Other (expense) income, net*, on the Company's condensed consolidated statements of income.

Also in connection with the spin-off, on March 31, 2022, Embecta issued a senior secured term loan facility with an aggregate principal amount of \$50 million and a senior secured revolving credit facility providing borrowings of up to \$500 million that was undrawn at March 31, 2022 and at the spin-off date.

The borrowings from the 5.000% senior secured notes due February 15, 2030 and the senior secured term loan facility were included within the Company's condensed consolidated balance sheet at March 31, 2022. The senior secured notes and credit agreement for the term loan and revolving credit facilities were guaranteed on an unsecured, unsubordinated basis solely by the Company prior to the spin-off date. The Company's guarantees automatically and unconditionally terminated upon the consummation of the spin-off on April 1, 2022.

On March 31, 2022, Embecta used a portion of the proceeds from the financing transactions discussed above to make a cash distribution of approximately \$.266 billion to the Company.

Note 14 – Subsequent Event

Acquisition of Parata Systems

On July 18, 2022, the Company completed the acquisition of Parata Systems, an innovative provider of pharmacy automation solutions, for total cash consideration of \$1.525 billion. Due to the recent timing of the acquisition, the Company is in the process of identifying and measuring the assets acquired and liabilities assumed. The preliminary purchase price allocation estimates and other related information will be disclosed in the Company's Annual Report on Form 10-K for the period ending September 30, 2022.

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

The following commentary should be read in conjunction with the condensed consolidated financial statements and accompanying notes presented in this report. 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

Becton, Dickinson and Company ("BD") is a global medical technology company engaged in the development, manufacture and sale of a broad range of medical supplies, devices, laboratory equipment and diagnostic products used by healthcare institutions, physicians, life science researchers, clinical laboratories, the pharmaceutical industry and the general public. The Company's organizational structure is based upon three principal business segments, BD Medical ("Medical"), BD Life Sciences ("Life Sciences") and BD Interventional ("Interventional").

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: EMEA (which includes Europe, the Middle East and Africa); Greater Asia (which includes countries in Greater China, Japan, South Asia, Southeast Asia, Korea, Australia and New Zealand); 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 certain countries within Greater Asia. We are primarily focused on certain countries whose healthcare systems are expanding.

BD's Spin-Off of Diabetes Care

On April 1, 2022, BD completed the separation and distribution of Embecta, formerly BD's Diabetes Care business, into a separate, publicly-traded company. The historical results of the Diabetes Care business (previously included in BD's Medical segment), as well as interest expense related to indebtedness incurred by Embecta prior to the spin-off date, have been reflected as discontinued operations in our condensed consolidated financial statements for all periods prior to the spin-off date of April 1, 2022. Additional disclosures regarding our spin-off of the Diabetes Care business are provided in Note 2 in the Notes to Condensed Consolidated Financial Statements.

Key Trends Affecting Results of Operations

As noted above, our products are manufactured and sold worldwide, which exposes our operations, supply chain and suppliers to various global macroeconomic factors. The factors which are currently most impactful to our operating results include the following:

- Inflation, which has increased the costs of raw materials, components, labor, energy, and logistical services;
- Availability of skilled labor, global energy sources, raw materials and electronic components; and
- Constrained logistics capacity related to the movement of goods around the globe.

The shortages of certain raw materials and components, delays in global transportation and the scarcity of labor in our manufacturing facilities may increase our lead times for some of our product offerings. During our fiscal year 2022, significant inflationary pressures are impacting our supply chain costs in certain areas. Our raw material and freight costs have been particularly impacted and these increased costs are pressuring our operating expenses and the costs of our investments. We are mitigating these inflationary pressures through the following:

- Driving strategic procurement initiatives to leverage alternatives sources of raw material and transportation;
- Implementing cost-containment measures, as well as intensifying continuous improvement and restructuring programs in our manufacturing and distribution facilities;
- Continuing strategic rationalization programs across multiple product lines as part of our simplification strategy; and
- Optimizing our sales through product allocation and price management.

The COVID-19 pandemic continues to drive volatility in global economic conditions. Resurgences in COVID-19 infections or new strains of the virus may affect the prioritization of acute and non-acute healthcare utilization, which may temporarily weaken future demand for certain of our products and increase the demand for other of our products. The pandemic has also contributed to the inflationary pressures and supply chain disruptions discussed above and these challenges could persist if governments impose lockdowns, quarantine requirements and other restrictions in order to control rates of COVID-19 infections, such as in China. Additionally, the pandemic has escalated challenges that existed for global healthcare systems

prior to the pandemic, including budget constraints and staffing shortages, particularly shortages of nursing staff. Healthcare institutions may take actions to mitigate any persistent pressures on their budgets and such actions could impact the future demand for our products and services.

While resurgences of COVID-19 infections have continued to occur in various countries around the world, demand for our SARS-CoV-2 diagnostics tests and injection devices used for COVID-19 vaccinations has been volatile and has declined from the peak testing and vaccination levels reached earlier in the pandemic. As discussed below, our third quarter fiscal year 2022 revenues in our Life Sciences segment reflected sales related to COVID-19-only diagnostic testing on the BD Veritor™ Plus and BD Max™ Systems of \$76 million, compared with revenues from such testing products in the prior-year period of \$300 million. During the third quarter of fiscal year 2022, revenues in our Life Sciences segment benefited from high demand for our combination influenza/COVID-19 testing assays.

Geopolitical conditions may also impact our operations. Our operations in Russia and Ukraine are not material to our financial results, and as such, the conflict between Russia and Ukraine has not materially impacted our results of operations to date. However, the continuation of the Russia-Ukraine military conflict and/or an escalation of the conflict beyond its current scope may weaken the global economy and could result in additional inflationary pressures and supply chain constraints, including the unavailability of energy. Due to the significant uncertainty that exists relative to the duration and overall impact of the macroeconomic factors discussed above, our future operating performance, particularly in the short-term, may be subject to volatility. The impacts of macroeconomic conditions on our business, results of operations, financial condition and cash flows are dependent on certain factors, including those discussed in our 2021 Annual Report on Form 10-K (the “2021 Annual Report”) and subsequent Quarterly Reports on Form 10-Q.

Overview of Financial Results and Financial Condition

For the three months ended June 30, 2022, worldwide revenues of \$4.641 billion increased 0.7% from the prior-year period. This increase reflected the following impacts:

	Increase (decrease) in current-period revenues
Volume	6.0 %
Period-over-period decline in revenues related to COVID-19-only testing	(4.8) %
Pricing	2.6 %
Foreign currency translation	(3.1) %
Increase in revenues from the prior-year period	0.7 %

Volume growth in the third quarter of fiscal year 2022 was driven by demand for our core products and reflected strong demand across all of the Medical segment’s units, particularly in the Medication Delivery Solutions and Pharmaceutical Systems units. Third quarter volume growth was also driven by strong demand for core products in both of the Life Sciences segment’s units and across all units in the Interventional segment.

As noted above, our third quarter fiscal year 2022 revenues reflected sales related to COVID-19-only diagnostic testing on the BD Veritor™ Plus and BD Max™ Systems of \$76 million, compared with revenues from testing products in the prior-year period of \$300 million.

Our BD 2025 strategy for growth is anchored in three pillars: grow, simplify and empower. As we execute this strategy, we continue to invest in research and development, strategic tuck-in acquisitions, geographic expansion, and new product programs 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. As further discussed above, current global economic conditions have been relatively volatile due to various macroeconomic factors. We are mitigating the inflationary pressures on our businesses through the various strategies discussed above. However, there can be no assurance that we will be able to effectively mitigate such inflationary pressures in future periods, and an inability to offset inflationary pressures, at least in part, through the strategies discussed above could adversely impact our results of operations.

Cash flows from continuing operating activities were \$1.498 billion in the first nine months of fiscal year 2022. At June 30, 2022, we had \$2.773 billion in cash and equivalents and short-term investments, including restricted cash. We continued to return value to our shareholders in the form of dividends. During the first nine months of fiscal year 2022, we paid cash dividends of \$812 million, including \$745 million paid to common shareholders and \$68 million paid to preferred shareholders.

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. A stronger U.S. dollar, compared to the prior-year period, resulted in an unfavorable foreign currency translation impact to our revenues during the third quarter of fiscal year 2022. The flow of foreign currency impacts to our earnings depends on various factors including our inventory turnover, our

ability to leverage our global supply chain and the current-period mix of our sales, from both a product and geographic perspective. These factors resulted in a favorable foreign currency impact to earnings during the third quarter of fiscal year 2022. 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. As exchange rates are an important factor in understanding period-to-period comparisons, we believe the presentation of results on a foreign currency-neutral basis in addition to reported results helps improve investors' ability to understand our operating results and evaluate our performance in comparison to prior periods. Foreign currency-neutral ("FXN") information compares results between periods as if exchange rates had remained constant period-over-period. We use results on a foreign currency-neutral basis as one measure to evaluate our performance. 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 results. These results should be considered in addition to, not as a substitute for, results reported in accordance with U.S. generally accepted accounting principles ("GAAP"). Results on a foreign currency-neutral basis, as we present them, may not be comparable to similarly titled measures used by other companies and are not measures of performance presented in accordance with U.S. GAAP.

Results of Continuing Operations

Medical Segment

The following summarizes third quarter Medical revenues by organizational unit:

(Millions of dollars)	Three months ended June 30,				
	2022	2021	Total Change	Estimated FX Impact	FXN Change
Medication Delivery Solutions (a)	\$ 1,061	\$ 1,019	4.1 %	(2.3) %	6.4 %
Medication Management Solutions	607	597	1.6 %	(2.0) %	3.6 %
Pharmaceutical Systems (a)	523	475	10.0 %	(6.3) %	16.3 %
Total Medical Revenues	\$ 2,191	\$ 2,091	4.7 %	(3.2) %	7.9 %

(a) Prior-period amounts were recast to reflect former intercompany transactions with Embecta.

The Medication Delivery Solutions unit's revenue growth in the third quarter of 2022 reflected competitive gains for catheters and vascular care products, as well as improved healthcare utilization in the current-year period, particularly within the United States. Third quarter 2022 revenues in the Medication Delivery Solutions unit were unfavorably impacted by pandemic-related lockdowns imposed in China. In the Medication Management Solutions unit, revenue growth reflected momentum in global placements of dispensing systems. The Pharmaceutical Systems unit's strong revenue growth in the third quarter of 2022 reflected our ability to meet the high demand for pre-filled devices through strategic capacity expansion investments.

(Millions of dollars)	Nine months ended June 30,				
	2022	2021	Total Change	Estimated FX Impact	FXN Change
Total Medical Revenues	\$ 6,465	\$ 6,116	5.7 %	(1.7) %	7.4 %

Medical segment income for the three and nine-month periods is provided below.

(Millions of dollars)	Three months ended June 30,		Nine months ended June 30,	
	2022	2021	2022	2021
Medical segment income	\$ 573	\$ 486	\$ 1,587	\$ 1,474
Segment income as % of Medical revenues	26.1 %	23.2 %	24.5 %	24.1 %

The Medical segment's income in the third quarter reflected higher gross profit margin and lower operating expenses as discussed in greater detail below:

- The Medical segment's higher gross profit margin in the third quarter of 2022 compared with the third quarter of 2021 primarily reflected lower manufacturing costs resulting from continuous improvement projects which enhanced the efficiency of our operations, as well as favorable impacts from price management and foreign currency translation.

These favorable impacts to the Medical segment's third quarter gross margin were partially offset by higher raw material and freight costs.

- Selling and administrative expense as a percentage of revenues was lower in the third quarter of 2022 compared with the third quarter of 2021, which reflected efforts to contain certain selling, travel and other administrative activities, partially offset by higher shipping costs.
- Research and development expense as a percentage of revenues was lower in the third quarter of 2022 compared with the third quarter of 2021, which reflected the timing of project spending.
- The Medical segment's operating income in the third quarter of 2022 reflected non-cash asset impairment charges of \$19 million, which were recorded to *Acquisition-related integration and restructuring expense*.

Life Sciences Segment

The following summarizes third quarter Life Sciences revenues by organizational unit:

(Millions of dollars)	Three months ended June 30,				
	2022	2021	Total Change	Estimated FX Impact	FXN Change
Integrated Diagnostic Solutions	\$ 961	\$ 1,117	(14.0)%	(3.5) %	(10.5)%
Biosciences	348	316	10.1 %	(4.1) %	14.2 %
Total Life Sciences Revenues	\$ 1,309	\$ 1,433	(8.7)%	(3.6) %	(5.1)%

As previously discussed above, the Integrated Diagnostic Solutions unit's revenues related to COVID-19-only diagnostic testing on the BD Verito™ Plus and BD Max™ Systems in the third quarter of 2022 were \$76 million compared with revenues of \$300 million in the prior-year period. The Integrated Diagnostic Solutions unit's third quarter revenues were favorably impacted by continued adoption of our broader respiratory panel and our larger installed base of instruments. Revenues in the Integrated Diagnostic Solutions unit also reflected growth in specimen management products which was attributable to price management and improvements in production throughput. The Biosciences unit's revenue growth in the third quarter of 2022 was driven by strong demand for our research reagents and continued adoption of the unit's e-commerce platform. Third quarter 2022 growth in the Biosciences unit's sales of instruments was enabled by the unit's recent product launches and the strategic procurement of critical electronic components to meet the customer demand for our product offerings.

(Millions of dollars)	Nine months ended June 30,				
	2022	2021	Total Change	Estimated FX Impact	FXN Change
Total Life Sciences Revenues	\$ 4,277	\$ 4,998	(14.4)%	(1.8) %	(12.6)%

Life Sciences segment income for the three and nine-month periods is provided below.

(Millions of dollars)	Three months ended June 30,		Nine months ended June 30,	
	2022	2021	2022	2021
Life Sciences segment income	\$ 414	\$ 432	\$ 1,366	\$ 1,953
Segment income as % of Life Sciences revenues	31.6 %	30.1 %	31.9 %	39.1 %

The Life Sciences segment's income in the third quarter primarily reflected higher gross profit margin as discussed in greater detail below:

- The Life Sciences segment's gross profit margin in the third quarter of 2022 compared with the third quarter of 2021 was higher primarily due to approximately \$71 million of excess and obsolete inventory expenses in the prior-year period related to COVID-19 testing inventory. Higher gross profit margin in the current-year period also reflected lower manufacturing costs resulting from continuous improvement projects which enhanced the efficiency of our operations, as well as favorable impacts from price management, product mix and foreign currency translation. The Life Sciences segment's gross profit margin in the third quarter of 2022 was unfavorably impacted by the decline in COVID-19-only testing revenues compared with the prior-period, as well as higher raw material and freight costs.
- Selling and administrative expense as a percentage of revenues in the third quarter of 2022 was relatively flat compared with the third quarter of 2021.
- Research and development expense as a percentage of revenues was higher in the third quarter of 2022 compared with the third quarter of 2021, primarily due to the current-period decline in revenues.

Interventional Segment

The following summarizes third quarter Interventional revenues by organizational unit:

(Millions of dollars)	Three months ended June 30,				
	2022	2021	Total Change	Estimated FX Impact	FXN Change
Surgery	\$ 352	\$ 336	4.7 %	(1.7) %	6.4 %
Peripheral Intervention	463	436	6.3 %	(2.8) %	9.1 %
Urology and Critical Care	326	310	5.2 %	(2.5) %	7.7 %
Total Interventional Revenues	\$ 1,142	\$ 1,082	5.5 %	(2.4) %	7.9 %

The Surgery unit's third quarter 2022 revenues reflected strong global sales of our advanced repair and reconstruction platforms, as well as a benefit from the unit's fiscal year 2021 acquisition of Tepha, Inc. Third quarter 2022 revenues in the Peripheral Intervention unit were driven by global market penetration of our Rotarex™ system, the unit's fiscal year 2022 acquisition of Venclose, Inc. and the relaunch of our Venovo™ system. The Peripheral Intervention unit's current-period revenues also reflected its ability to meet end market demand from prior quarters despite supply chain constraints. The Urology and Critical Care unit's revenue growth in the third quarter of 2022 was driven by strong demand for acute urology products, as well as the unit's recovery from supply chain constraints from earlier in the fiscal year.

(Millions of dollars)	Nine months ended June 30,				
	2022	2021	Total Change	Estimated FX Impact	FXN Change
Total Interventional Revenues	\$ 3,367	\$ 3,168	6.3 %	(1.2) %	7.5 %

Interventional segment income for the three and nine-month periods is provided below.

(Millions of dollars)	Three months ended June 30,		Nine months ended June 30,	
	2022	2021	2022	2021
Interventional segment income	\$ 293	\$ 214	\$ 826	\$ 725
<i>Segment income as % of Interventional revenues</i>	<i>25.7 %</i>	<i>19.8 %</i>	<i>24.5 %</i>	<i>22.9 %</i>

The Interventional segment's income in the third quarter reflected higher gross profit margin and lower operating expenses as discussed in greater detail below:

- The Interventional segment's higher gross profit margin in the third quarter of 2022 compared with the third quarter of 2021 primarily reflected price management and favorable foreign currency translation.
- Selling and administrative expense as a percentage of revenues was lower in the third quarter of 2022 compared with the third quarter of 2021, as the increase in current-period revenues outpaced spending for selling and other administrative activities.

- Research and development expense as a percentage of revenues was lower in the third quarter of 2022 compared with the third quarter of 2021, as the increase in current-period revenues outpaced the timing of project spending.

Geographic Revenues

BD's worldwide third quarter revenues by geography were as follows:

(Millions of dollars)	Three months ended June 30,				
	2022	2021	Total Change	Estimated FX Impact	FXN Change
United States	\$ 2,643	\$ 2,424	9.0 %	— %	9.0 %
International	1,998	2,182	(8.4)%	(6.5) %	(1.9)%
Total Revenues	\$ 4,641	\$ 4,607	0.7 %	(3.1) %	3.8 %

U.S. revenue growth in the third quarter of 2022 benefited from high demand for combination influenza/COVID-19 testing assays in the Life Sciences segment's Integrated Diagnostic Solutions unit. U.S. revenues in the third quarter of 2022 also reflected strong sales in the Medical segment's Medication Delivery Solutions and Pharmaceutical Systems units, as well as by strong sales in the Life Science's segment's Biosciences unit and the Interventional segment's Urology and Critical Care unit.

The decline in international revenues in the third quarter of 2022 was primarily driven by an unfavorable comparison to the prior-year quarter, which substantially benefited from sales in the Life Sciences segment's Integrated Diagnostic Solutions unit related to COVID-19-only diagnostic testing, as further discussed above. This third quarter decline in international revenues was partially offset by strong sales in the Medical segment's Pharmaceutical Systems unit, the Life Sciences segment's Biosciences unit and the Interventional segment's Peripheral Intervention unit.

Emerging market revenues were as follows and reflected growth in Latin America and EMA, as well as growth in China despite an unfavorable impact from pandemic-related lockdowns:

(Millions of dollars)	Three months ended June 30,				
	2022	2021	Total Change	Estimated FX Impact	FXN Change
Emerging markets	\$ 703	\$ 679	3.7 %	(2.4) %	6.1 %

Specified Items

Reflected in the financial results for the three and nine-month periods of fiscal years 2022 and 2021 were the following specified items:

(Millions of dollars)	Three months ended June 30,		Nine months ended June 30,	
	2022	2021	2022	2021
Integration costs (a)	\$ 18	\$ 27	\$ 46	\$ 94
Restructuring costs (a)	38	(4)	72	27
Separation-related items (b)	11	—	10	—
Purchase accounting adjustments (c)	354	355	1,074	1,055
European regulatory initiative-related costs (d)	39	32	105	91
Investment gains/losses and asset impairments (e)	4	—	94	—
Transaction gain/loss, product and other litigation-related matters (f)	6	(70)	47	258
Impacts of debt extinguishment	2	—	2	30
Total specified items	472	341	1,451	1,555
Less: tax impact of specified items	76	59	258	262
After-tax impact of specified items	\$ 396	\$ 282	\$ 1,193	\$ 1,293

- (a) Represents amounts associated with acquisition-related integrations and restructuring activities which are primarily recorded in *Acquisition-related integration and restructuring expense* and are further discussed below.

- (b) Represents costs recorded to *Other operating expense (income), net* and incurred in connection with the separation of BD's former Diabetes Care business.
- (c) Includes amortization and other adjustments related to the purchase accounting for acquisitions. BD's amortization expense is primarily recorded in *Cost of products sold*.
- (d) Represents costs incurred to develop processes and systems to establish initial compliance with the European Union Medical Device Regulation and the European Union In Vitro Diagnostic Medical Device Regulation, which represent a significant, unusual change to the existing regulatory framework. We consider these costs to be duplicative of previously incurred costs and/or one-off costs, which are limited to a specific period of time. These expenses, which are recorded in *Cost of products sold* and *Research and development expense*, include the cost of labor, other services and consulting (in particular, research and development and clinical trials) and supplies, travel and other miscellaneous costs.
- (e) Primarily includes non-cash (gains) losses recorded within *Other (expense) income, net* relating to certain investments. The amount in the nine-month period of fiscal year 2022 also includes a non-cash asset impairment charge recorded in *Cost of products sold* of \$54 million in the Medical segment.
- (f) The amount in the three-month period of fiscal year 2022 represented a charge recorded to *Cost of products sold* to adjust the estimate of future product remediation costs. Total charges recorded to adjust this estimate in the nine-month periods of fiscal year 2022 and 2021 were \$41 million and \$37 million, respectively. The amount in the three and nine-month periods of fiscal year 2021 include a gain of \$88 million on a sale-leaseback transaction. The amount in the nine-month period of 2021 additionally includes charges of \$296 million in *Other operating expense (income), net* to record product liability reserves, including related legal defense costs.

Gross Profit Margin

Gross profit margin for the three and nine-month periods of fiscal year 2022 compared with the prior-year periods in fiscal year 2021 reflected the following impacts:

	Three-month period	Nine-month period
June 30, 2021 gross profit margin %	42.5 %	45.8 %
Impact of purchase accounting adjustments and other specified items	— %	(0.6)%
Period-over-period decline in COVID-19-only testing profitability	0.5 %	(0.9)%
Operating performance	0.2 %	— %
Foreign currency translation	1.3 %	1.1 %
June 30, 2022 gross profit margin %	44.5 %	45.4 %

The impact of other specified items on gross profit margin in the nine-month period of 2022 included a non-cash asset impairment charge of \$54 million in the Medical segment. Operating performance in the three and nine-month periods of 2022 largely reflected our efforts to mitigate higher raw material costs through leveraging our ongoing continuous improvement projects, optimizing our product mix and implementing price management. Operating performance in the three and nine-month periods of 2021 was unfavorably impacted by approximately \$71 million of excess and obsolete inventory expenses related to COVID-19 testing inventory which were recognized by the Integrated Diagnostic Solutions unit.

Operating Expenses

A summary of operating expenses for the three and nine-month periods of fiscal years 2022 and 2021 is as follows:

	Three months ended June 30,		Increase (decrease) in basis points	Nine months ended June 30,		Increase (decrease) in basis points
	2022	2021		2022	2021	
(Millions of dollars)						
Selling and administrative expense	\$ 1,149	\$ 1,200		\$ 3,527	\$ 3,434	
<i>% of revenues</i>	24.8 %	26.1 %	(130)	25.0 %	24.0 %	100
Research and development expense	\$ 315	\$ 330		\$ 956	\$ 911	
<i>% of revenues</i>	6.8 %	7.2 %	(40)	6.8 %	6.4 %	40
Acquisition-related integration and restructuring expense	\$ 55	\$ 24		\$ 118	\$ 121	
Other operating expense (income), net	\$ 11	\$ (88)		\$ 7	\$ 208	

Selling and administrative expense

Lower selling and administrative expense as a percentage of revenues in the three-month period of 2022 primarily reflected a decrease in our deferred compensation plan liability due to market performance and favorable foreign currency translation, partially offset by higher shipping costs. Higher selling and administrative expense as a percentage of revenues in the nine-month period of 2022 compared with the prior-year periods primarily reflected higher shipping and selling costs in the current-year period, partially offset by a decrease in our deferred compensation plan liability due to market performance and favorable foreign currency translation. The investment losses on deferred compensation plan assets were recorded to *Other (expense) income, net*.

Research and development expense

Research and development expense as a percentage of revenues in the three and nine-month periods of 2022 primarily reflected the timing of project spending. Spending in both the current and prior-year periods reflected our continued commitment to drive innovation and growth with new products and platforms.

Acquisition-related integration and restructuring expense

Acquisition-related integration and restructuring expense in the three and nine-month periods of 2022 included restructuring costs related to simplification and other cost saving initiatives, as well as system integration costs. Restructuring expenses in the three and nine-month periods of 2022 included non-cash asset impairment charges of \$19 million, as noted above and further discussed in Note 12 in the Notes to Condensed Consolidated Financial Statements. Costs in the three and nine-month periods of 2021 included restructuring costs related to simplification and other cost saving initiatives, as well as integration costs incurred due to our acquisition of C.R. Bard, Inc. in the first quarter of fiscal year 2018. For further disclosures regarding restructuring costs, refer to Note 9 in the Notes to Condensed Consolidated Financial Statements.

Other operating expense (income), net

Other operating expense (income), net in the three and nine-month periods of 2022 included costs associated with the spin-off of BD's former Diabetes Care business. Other operating expense (income), net in the three and nine-month periods of 2021 included a gain of \$88 million on a sale-leaseback transaction. The amount in the nine-month period of 2021 also included charges of \$296 million to record product liability reserves, including related legal defense costs.

Nonoperating Income

Net interest expense

The components for the three and nine-month periods of fiscal years 2022 and 2021 were as follows:

(Millions of dollars)	Three months ended June 30,		Nine months ended June 30,	
	2022	2021	2022	2021
Interest expense	\$ (99)	\$ (115)	\$ (294)	\$ (358)
Interest income	5	2	9	7
Net interest expense	\$ (94)	\$ (113)	\$ (285)	\$ (351)

Lower interest expense in the current-year periods compared with the prior-year periods primarily reflected lower overall interest rates on debt outstanding as a result of prior-year refinancing activities.

Income Taxes

The income tax rates for the three and nine-month periods of fiscal years 2022 and 2021 are provided below.

	Three months ended June 30,		Nine months ended June 30,	
	2022	2021	2022	2021
Effective income tax rate	7.4 %	(7.5)%	7.9 %	5.9 %
Impact, in basis points, from specified items	(460)	(1,180)	(490)	(550)

The effective income tax rates for the three and nine-month periods of fiscal year 2022 primarily reflected tax impacts from specified items that were less favorable compared with the benefits associated with specified items recognized in the prior-year periods.

Net Income and Diluted Earnings per Share from Continuing Operations

Net income and diluted earnings per share from continuing operations for the three and nine-month periods of fiscal years 2022 and 2021 were as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2022	2021	2022	2021
Net Income from Continuing Operations (Millions of dollars)	\$ 390	\$ 407	\$ 1,348	\$ 1,450
Diluted Earnings per Share from Continuing Operations	\$ 1.28	\$ 1.32	\$ 4.45	\$ 4.72
Unfavorable impact-specified items	\$ (1.38)	\$ (0.97)	\$ (4.15)	\$ (4.41)
Favorable impact-foreign currency translation	\$ 0.10		\$ 0.30	

Liquidity and Capital Resources

The following table summarizes our condensed consolidated statements of cash flows:

(Millions of dollars)	Nine months ended June 30,	
	2022	2021
Net cash provided by (used for) continuing operations		
Operating activities	\$ 1,498	\$ 3,285
Investing activities	\$ (1,215)	\$ (1,162)
Financing activities	\$ (187)	\$ (2,164)

Net Cash Flows from Continuing Operating Activities

Cash flows from continuing operating activities in the first nine months of fiscal year 2022 reflected net income, adjusted by a change in operating assets and liabilities that was a net use of cash. This net use of cash primarily reflected lower levels of accounts payable and accrued expenses and higher levels of inventory and prepaid expenses, partially offset by lower levels of trade receivables. Cash flows from continuing operating activities in the current-year period additionally reflected a discretionary cash contribution of \$134 million to fund our pension obligation.

Cash flows from continuing operating activities in the first nine months of fiscal year 2021 reflected net income, adjusted by a change in operating assets and liabilities that was a net source of cash. This net source of cash primarily reflected lower levels of trade receivables and higher levels of accounts payable and accrued expenses, partially offset by higher levels of inventory and prepaid expenses.

Net Cash Flows from Continuing Investing Activities

Our investments in capital expenditures are focused on projects that enhance our cost structure and manufacturing capabilities, as well as support our BD 2025 strategy for growth and simplification. Net outflows from continuing investing activities in the first nine months of fiscal year 2022 included capital expenditure-related outflows of \$658 million, compared with \$742 million in the prior-year period. Net outflows from continuing investing activities in the first nine months of fiscal year 2022 also included cash payments of \$450 million relating to various strategic acquisitions we have executed as part of our growth strategy, including our acquisitions of Scanwell Health, Inc, Tissuemed, Ltd., and Venclose, Inc. Net outflows from continuing investing activities in the first nine months of fiscal year 2021 included cash payments related to acquisitions of \$283 million.

Net Cash Flows from Continuing Financing Activities

Net cash from continuing financing activities in the first nine months of fiscal years 2022 and 2021 included the following significant cash flows:

(Millions of dollars)	Nine months ended June 30,	
	2022	2021
Cash inflow (outflow)		
Proceeds from long-term debt	\$ —	\$ 1,715
Distribution from Embecta	\$ 1,266	\$ —
Net transfer of cash to Embecta upon spin-off	\$ (265)	\$ —
Payments of debt	\$ (305)	\$ (1,999)
Repurchases of common stock	\$ —	\$ (1,000)
Dividends paid	\$ (812)	\$ (789)

Additional disclosures regarding the spin-off of Embecta are provided in Notes 2 and 13 in the Notes to Condensed Consolidated Financial Statements.

Certain measures relating to our total debt were as follows:

(Millions of dollars)	June 30, 2022	September 30, 2021
Total debt	\$ 16,365	\$ 17,610
Weighted average cost of total debt	2.7 %	2.4 %
Total debt as a percentage of total capital*	37.6 %	41.1 %

* Represents shareholders' equity, net non-current deferred income tax liabilities, and debt.

Cash and Short-Term Investments

At June 30, 2022, total worldwide cash and equivalents and short-term investments, including restricted cash, were approximately \$2.773 billion. These assets were largely held in the United States. We regularly review the amount of cash and short-term investments held outside of the United States and our historical foreign earnings are used to fund foreign investments or meet foreign working capital and property, plant and equipment expenditure needs. To fund cash needs in the United States, we rely on ongoing cash flow from U.S. operations, access to capital markets and remittances from foreign subsidiaries of earnings that are not considered to be permanently reinvested.

Financing Facilities

We have a five-year senior unsecured revolving credit facility in place which will expire in September 2026. The credit facility provides borrowings of up to \$2.75 billion, with separate sub-limits of \$100 million for letters of credit and swingline loans. The expiration date of the credit facility may be extended for up to two additional one year periods, subject to certain restrictions (including the consent of the lenders). The credit facility provides that we may, subject to additional commitments by lenders, request an additional \$500 million of financing, for a maximum aggregate commitment under the credit facility of up to \$3.25 billion. Proceeds from this facility may be used for general corporate purposes. There were no borrowings outstanding under the revolving credit facility at June 30, 2022.

The agreement for our revolving credit facility contains the following financial covenants. We were in compliance with these covenants, as applicable, as of June 30, 2022.

- We are required to have a leverage coverage ratio of no more than:
 - 4.25-to-1 as of the last day of each fiscal quarter following the closing of the credit facility; or
 - 4.75-to-1 for the four full fiscal quarters following the consummation of a material acquisition.

We also have informal lines of credit outside the United States. We may, from time to time, access the commercial paper market as we manage working capital over the normal course of our business activities. We had no commercial paper borrowings outstanding as of June 30, 2022. Also, over the normal course of our business activities, we transfer certain trade receivable assets to third parties under factoring agreements. Additional disclosures regarding sales of trade receivable assets are provided in Note 12 in the Notes to Condensed Consolidated Financial Statements.

Access to Capital and Credit Ratings

In June 2022, Moody's Investors Service ("Moody's") upgraded our senior unsecured rating to Baa2 from Baa3. Moody's also updated BD's commercial paper rating to P-2 from P-3 and revised its outlook on our ratings from Positive to Stable. Also in June 2022, Fitch Ratings ("Fitch") upgraded our senior unsecured rating to BBB from BBB- and revised its outlook on our ratings from Positive to Stable. In addition, Fitch assigned us with a commercial paper rating of F2. Our corporate credit ratings with Standard & Poor's Ratings Services at June 30, 2022 were unchanged compared with our ratings at September 30, 2021.

Lower corporate debt ratings and downgrades of our corporate credit ratings or other credit ratings may increase our cost of borrowing. We believe that given our debt ratings, our financial management policies, our ability to generate cash flow and the non-cyclical, geographically diversified nature of our businesses, we would have access to additional short-term and long-term capital should the need arise. A rating reflects only the view of a rating agency and is not a recommendation to buy, sell or hold securities. Ratings can be revised upward or downward at any time by a rating agency if such rating agency decides that circumstances warrant such a change.

Concentrations of Credit Risk

We continually evaluate our accounts receivables for potential credit losses, particularly those resulting from sales to government-owned or government-supported healthcare facilities in certain countries, as payment may be dependent upon the financial stability and creditworthiness of those countries' national economies. In addition to continually evaluating all governmental receivables for potential credit losses based upon historical loss experiences, we also evaluate such receivables

based upon the availability of government funding and reimbursement practices. We believe the current reserves related to all governmental receivables are adequate and that these receivables will not have a material adverse impact on our financial position or liquidity.

To date, we have not experienced a significant increased risk of credit losses in general as a result of the COVID-19 pandemic. No assurances can be given that the risk of credit losses will not increase in the future given the uncertainty around the duration of the pandemic and its economic impact.

Other Matters

Critical Accounting Policies

There were no changes to our critical accounting policies from those disclosed in our 2021 Annual Report.

Regulatory Matters

FDA Warning Letter

On January 11, 2018, BD received a Warning Letter from the FDA with respect to our former BD Preanalytical Systems ("PAS") unit, citing certain alleged violations of quality system regulations and of law. The Warning Letter states that, until BD resolves the outstanding issues covered by the Warning Letter, the FDA will not clear or approve any premarket submissions for Class III devices to which the non-conformances are reasonably related or grant requests for certificates to foreign governments. BD has worked closely with the FDA and implemented corrective actions to address the quality management system concerns identified in the warning letter. In March 2020, the FDA conducted a subsequent inspection of PAS, which it classified as Voluntary Action Indicated, which means the FDA will not take or recommend any administrative or regulatory action as a result of the unit's response to the observations associated with the quality management concerns in the inspection. BD continues to work with the FDA to generate additional clinical evidence and file 510(k)s as remaining commitments associated with the Warning Letter. In January 2022, BD received FDA clearance for its BD Vacutainer® ACD Blood Collection Tubes used in immunohematology. The FDA review of these remaining commitments is ongoing and no assurances can be given regarding further action by the FDA as a result of these commitments, including but not limited to action pursuant to the Warning Letter.

Ethylene Oxide/Consent Order — Covington, Georgia, USA

On October 28, 2019, BD entered into a consent order with the Environmental Protection Division of the Georgia Department of Natural Resources (the "EPD"), following the filing of a complaint and motion for temporary restraining order by the EPD seeking to enjoin BD from continuing sterilization operations at its Covington, Georgia facility. Under the terms of the consent order, which has been amended two times upon mutual agreement of BD and EPD, BD voluntarily agreed to a number of operational changes at its Covington and Madison, Georgia facilities, as well as at its distribution center in Covington, designed to further reduce ethylene oxide emissions, including but not limited to operating at a reduced capacity until successful implementation of fugitive emission control technology, ongoing ambient air monitoring and operational controls at such facilities. Following submission of data relating to the implementation of these operational changes, BD was permitted to return to normal operations in December 2021 at its facilities in Georgia in accordance with the operating conditions set forth in its permit applications, including a condition to continue ambient air monitoring. However, BD's sterilization operations in Georgia remain subject to the EPD's final approval of BD's permit applications and could be subject to additional restrictions. BD has business continuity plans in place to mitigate the impact of any additional restrictions on our operations at these facilities, although it is possible that these plans will not be able to fully offset such impact, especially considering the reduced capacity of third-party sterilization service providers and the regulatory timelines associated with transferring sterilization operations for regulated products.

At a broader level, there is increased focus on the use of ethylene oxide, and several states have imposed, or may impose in the future, additional regulatory requirements associated with the use and emission of ethylene oxide, the most frequently used sterilant for medical devices and health care products in the U.S. This increased regulation could require BD or sterilization service providers, including providers used by BD, to temporarily suspend operations to install additional fugitive emissions control technology, limit the use of ethylene oxide or take other actions, which would impact BD's operations and further reduce the available capacity of third-party providers to sterilize medical devices and health care products. A few states have filed lawsuits to require additional air quality controls and expand limitations on the use of ethylene oxide at sterilization facilities. For example, in December 2020, the State of New Mexico filed a lawsuit seeking a temporary restraining order and a preliminary and permanent injunction against a major medical device sterilizer, which sterilizes certain of our surgery products, to reduce ethylene oxide emissions associated with their sterilization process. On the federal level, in late 2019, the U.S. Environmental Protection Agency provided notice that it would be conducting rulemaking to reconsider federal regulations applicable to the use and emission of ethylene oxide, and there continues to be increased focus on the use of ethylene oxide on the federal level. If any such proceedings or rulemaking result in the suspension or interruption of sterilization operations at BD

or at medical device sterilizers used by BD, or otherwise limit the availability of third-party sterilization capacity, this could interrupt or otherwise adversely impact production of certain of our products or lead to civil litigation or other claims against BD. BD has business continuity plans in place to mitigate the impact of any such disruptions, although these plans may not be able to fully offset such impact, for the reasons noted above.

Consent Decree with FDA

As previously reported, our BD Alaris™ infusion pump organizational unit is operating under an amended consent decree entered into by CareFusion (the “Consent Decree”) that includes all infusion pumps manufactured by or for CareFusion 303, Inc., the organizational unit that manufactures and sells Alaris™ infusion pumps in the United States.

Following an inspection that began in March 2020 of our Medication Management Systems facility (CareFusion 303, Inc.) in San Diego, California, the FDA issued to BD a Form 483 Notice (the “Form 483 Notice”) that contains a number of observations of non-conformance with quality system regulations. In addition, in December 2021, the FDA issued to CareFusion 303, Inc. a letter of non-compliance with respect to the Consent Decree (the “Non-Compliance Letter”) stating that, among other things, it had determined that certain of BD’s corrective actions with respect to the Form 483 Notice appeared to be adequate, some were still in progress such that adequacy could not be determined yet, and certain others were not adequate (e.g., complaint handling and corrective and preventive actions (CAPA), design verification and medical device reporting). Per the terms of the Non-Compliance Letter, CareFusion 303, Inc. provided the FDA with a proposed comprehensive corrective action plan and has retained an independent expert to conduct periodic audits of CareFusion 303, Inc. infusion pump facilities over the next four years. CareFusion 303, Inc. will update its corrective action plan to address any observations that may arise during the course of these audits, and these updates, as well as the audit reports, will be shared with FDA in accordance with the terms of the Non-Compliance Letter. The FDA’s review of the items raised in the Form 483 Notice and Non-Compliance Letter remains ongoing, and no assurances can be given regarding further action by the FDA as a result of the observations, including but not limited to action pursuant to the Consent Decree, or that the corrective actions proposed by CareFusion 303, Inc. will be adequate to address these observations. Additionally, we cannot currently predict the amount of additional monetary investment that will be incurred to resolve this matter or the matter’s ultimate impact on our business.

The 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 Consent Decree, up to \$15 million per year. We may also be subject to future proceedings and litigation relating to the matters addressed in the Consent Decree, including, but not limited to, additional fines, penalties, other monetary remedies, and expansion of the terms of the Consent Decree.

We are undertaking certain remediation of our BD Alaris™ System, and are currently shipping the product in the United States, only in cases of medical necessity and to remediate recalled software versions. As previously disclosed, we submitted our 510(k) premarket notification to the FDA for the BD Alaris™ System in April 2021. The 510(k) submission is intended to bring the regulatory clearance for the BD Alaris™ System up-to-date, address open recall issues and provide other updates and features, including a new version of BD Alaris™ System software that will provide clinical, operational and cybersecurity updates. We will not be able to fully resume commercial operations for the BD Alaris™ System in the United States until BD’s 510(k) submission relating to the product has been cleared by the FDA. No assurances can be given as to when or if clearance will be obtained from the FDA.

For further discussion of risks relating to the regulations to which we are subject, see Part I, Item 1A, of our 2021 Annual Report.

Cautionary Statement Regarding Forward-Looking Statements

This report includes forward-looking statements within the meaning of the federal securities laws. BD and its representatives may also, 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, press releases, and our reports to shareholders. Forward-looking statements may be identified by the use of words such as “plan,” “expect,” “believe,” “intend,” “will,” “may,” “anticipate,” “estimate” and other words of similar meaning in conjunction with, among other things, discussions of future operations and financial performance (including volume growth, pricing, sales and earnings per share growth, and cash flows) and statements regarding our strategy for growth, future product development, regulatory approvals, competitive position and expenditures. All statements that address our future operating performance or events or developments that we expect or anticipate will occur in the future are forward-looking statements.

Forward-looking statements are, and will be, based on management’s then-current views and assumptions regarding future events, developments and operating performance, and speak only as of their dates. Investors should realize that if underlying assumptions prove inaccurate, or 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 after the date they are made, whether as a result of new information, future events and developments or otherwise, except as required by applicable law or regulations.

The following are some important factors that could cause our actual results to differ from our expectations in any forward-looking statements. The Russia and Ukraine conflict may also heighten the impact of certain of these factors described below and the Risk Factors in our 2021 Annual Report. For further discussion of certain of these factors, see Item 1A. Risk Factors in our 2021 Annual Report and our subsequent Quarterly Reports on Form 10-Q.

- Any impact the COVID-19 pandemic, including resurgences in COVID-19 infections or new strains of the virus or additional or extended lockdowns or other restrictions imposed by government entities, may have on our business, the global economy's recovery and the global healthcare system. This may include decreases in the demand for our products, disruptions to our operations or the operations of our suppliers and customers (including employee absenteeism) or disruptions to our supply chain.
- Factors such as the rate of vaccination, the effectiveness of vaccines against different strains, the rate of infections, and competitive factors that could impact the demand and pricing for our COVID-19 diagnostics testing.
- The impact of inflation and disruptions in our global supply chain on BD and our suppliers (particularly sole-source suppliers and providers of sterilization services), including fluctuations in the cost and availability of oil-based resins and other raw materials, as well as certain components, used in the production or sterilization of our products, transportation constraints and delays, product shortages, energy shortages or increased energy costs, labor shortages in the United States and elsewhere, and increased operating and labor costs.
- Weakness in the global economy and financial markets, which could increase the cost of operating our business, weaken demand for our products and services, negatively impact the prices we can charge for our products and services, or impair our ability to produce our products.
- The risks associated with the spin-off of our former Diabetes Care business, including factors that could adversely affect our ability to realize the expected benefits of the spin-off, or the qualification of the spin-off as a tax-free transaction for U.S. federal income tax purposes.
- Competitive factors that could adversely affect our operations, including new product introductions and technologies (for example, new forms of drug delivery) by our current or future competitors, consolidation or strategic alliances among healthcare companies, distributors and/or payers of healthcare to improve their competitive position or develop new models for the delivery of healthcare, increased pricing pressure due to the impact of low-cost manufacturers, patents attained by competitors (particularly as patents on our products expire), new entrants into our markets and changes in the practice of medicine.
- Risks relating to our overall level of indebtedness, including our ability to service our debt and refinance our indebtedness, which is dependent upon the capital markets and our overall financial condition at such time.
- The adverse financial impact resulting from unfavorable changes in foreign currency exchange rates.
- Regional, national and foreign economic factors, including inflation, deflation and fluctuations in interest rates, and their potential effect on our operating performance.
- Our ability to achieve our projected level or mix of product sales, as our earnings forecasts are based on projected sales volumes and pricing of many product types, some of which are more profitable than others.
- Changes in reimbursement practices of governments or third-party payers, or adverse decisions relating to our products by such payers, which could reduce demand for our products or the price we can charge for such products.
- Cost-containment efforts in the U.S. or in other countries in which we do business, such as alternative payment reform and increased use of competitive bidding and tenders, including, without limitation, any expansion of the volume-based procurement process in China or implementation of similar cost-containment efforts.
- Changes in the domestic and foreign healthcare industry or in medical practices that result in a reduction in procedures using our products or increased pricing pressures, including cost-reduction measures instituted by and the continued consolidation among healthcare providers.
- The impact of changes in U.S. federal laws and policies that could affect fiscal and tax policies, healthcare and international trade, including import and export regulation and international trade agreements. In particular, tariffs or other trade barriers imposed by the U.S. or other countries could adversely impact our supply chain costs or otherwise adversely impact our results of operations.

- Security breaches of our information systems or our products, which could impair our ability to conduct business, result in the loss of BD trade secrets or otherwise compromise sensitive information of BD or its customers, suppliers and other business partners, or of customers' patients, including sensitive personal data, or result in product efficacy or safety concerns for certain of our products, and result in actions by regulatory bodies or civil litigation.
- Difficulties inherent in product development, including the potential inability to successfully continue technological innovation, successfully complete clinical trials, obtain and maintain regulatory approvals and registrations in the United States and abroad, obtain intellectual property protection for our products, obtain coverage and adequate reimbursement for new products, or gain and maintain market approval of products, as well as the possibility of infringement claims by competitors with respect to patents or other intellectual property rights, all of which could preclude or delay commercialization of a product. Delays in obtaining necessary approvals or clearances from the FDA or other regulatory agencies or changes in the regulatory process may also delay product launches and increase development costs.
- The impact of business combinations or divestitures, including any volatility in earnings relating to acquisition-related costs, and our ability to successfully integrate any business we may acquire.
- Our ability to penetrate or expand our operations in emerging markets, which depends on local economic and political conditions, and how well we are able to make necessary infrastructure enhancements to production facilities and distribution networks.
- Conditions in international markets, including social and political conditions, civil unrest, terrorist activity, governmental changes, restrictions on the ability to transfer capital across borders, tariffs and other protectionist measures, difficulties in protecting and enforcing our intellectual property rights and governmental expropriation of assets. Our international operations also increase our compliance risks, including risks under the Foreign Corrupt Practices Act and other anti-corruption laws, as well as regulatory and privacy laws.
- Deficit reduction efforts or other actions that reduce the availability of government funding for healthcare and research, which could weaken demand for our products and result in additional pricing pressures, as well as create potential collection risks associated with such sales.
- Fluctuations in university or U.S. and international governmental funding and policies for life sciences research.
- Fluctuations in the demand for products we sell to pharmaceutical companies that are used to manufacture, or are sold with, the products of such companies, as a result of funding constraints, consolidation or otherwise.
- The effects of regulatory or other events that adversely impact our supply chain, including our ability to manufacture our products (particularly where production of a product line or sterilization operations are concentrated in one or more plants), source materials or components or services from suppliers (including sole-source suppliers) that are needed for such manufacturing (including sterilization), or provide products to our customers, including events that impact key distributors.
- Natural disasters, including the impacts of climate change, hurricanes, tornadoes, windstorms, fires, earthquakes and floods and other extreme weather events, global health pandemics, war, terrorism, labor disruptions and international conflicts that could cause significant economic disruption and political and social instability, resulting in decreased demand for our products, or adversely affecting our manufacturing and distribution capabilities or causing interruptions in our supply chain.
- Pending and potential future litigation or other proceedings asserting, and/or investigations concerning and/or subpoenas and requests seeking information with respect to, alleged violations of law (including in connection with federal and/or state healthcare programs (such as Medicare or Medicaid) and/or sales and marketing practices (such as investigative subpoenas and the civil investigative demands received by BD)), potential anti-corruption and related internal control violations under the Foreign Corrupt Practices Act, antitrust claims, securities law claims, product liability (which may involve lawsuits seeking class action status or seeking to establish multi-district litigation proceedings, including pending claims relating to our hernia repair implant products, surgical continence products for women and vena cava filter products), claims with respect to environmental matters, data privacy breaches and patent infringement, and the availability or collectability of insurance relating to any such claims.
- New or changing laws and regulations affecting our domestic and foreign operations, or changes in enforcement practices, including laws relating to trade, monetary and fiscal policies, taxation (including tax reforms that could adversely impact multinational corporations), sales practices, environmental protection, price controls, and licensing and regulatory requirements for new products and products in the post-marketing phase. In particular, the U.S. and other countries may impose new requirements regarding registration, labeling or prohibited materials that may require us to re-register products already on the market or otherwise impact our ability to market our products. Environmental laws, particularly with respect to the emission of greenhouse gases, are also becoming more stringent throughout the world,

which may increase our costs of operations or necessitate changes in our manufacturing plants or processes or those of our suppliers, or result in liability to BD.

- Product efficacy or safety concerns regarding our products resulting in product holds or recalls, regulatory action on the part of the FDA or foreign counterparts (including restrictions on future product clearances and civil penalties), declining sales and product liability claims, and damage to our reputation. As a result of the CareFusion acquisition, our U.S. infusion pump business is operating under a Consent Decree with the FDA. The Consent Decree authorizes the FDA, in the event of any violations in the future, to order our U.S. infusion pump business to cease manufacturing and distributing products, recall products or take other actions, and order the payment of significant monetary damages if the business subject to the decree fails to comply with any provision of the Consent Decree. We are undertaking certain remediation of our BD Alaris™ System, and are currently shipping the product in the U.S., only in cases of medical necessity and to remediate recalled software versions. We will not be able to fully resume commercial operations for the BD Alaris System in the U.S. until BD's 510(k) submission relating to the product has been cleared by the FDA. No assurances can be given as to when or if clearance will be obtained from the FDA.
- The effect of adverse media exposure or other publicity regarding BD's business or operations, including the effect on BD's reputation or demand for its products.
- The effect of market fluctuations on the value of assets in BD's pension plans and on actuarial interest rate and asset return assumptions, which could require BD to make additional contributions to the plans or increase our pension plan expense.
- Our ability to obtain the anticipated benefits of restructuring programs, if any, that we may undertake.
- Issuance of new or revised accounting standards by the FASB 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, 2021.

Item 4. Controls and Procedures

An evaluation was carried out by BD's management, with the participation of BD's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of BD's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of June 30, 2022. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were, as of the end of the period covered by this report, effective and designed to ensure that material information relating to BD and its consolidated subsidiaries would be made known to them by others within these entities.

There were no changes in our internal control over financial reporting during the fiscal quarter ended June 30, 2022 identified in connection with the above-referenced evaluation that have materially affected, or are reasonably likely to materially affect, BD's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are involved, both as a plaintiff and a defendant, in various legal proceedings, including product liability and environmental matters as set forth in our 2021 Annual Report, and in Note 5 of the Notes to Condensed Consolidated Financial Statements in this report, which is incorporated herein by reference.

Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in Part I, Item 1A, of our 2021 Annual Report or our subsequent Quarterly Reports on Form 10-Q.

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 June 30, 2022.

Issuer Purchases of Equity Securities

For the three months ended June 30, 2022	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (2)
April 1 – 30, 2022	—	\$ —	—	10,753,131
May 1 – 31, 2022	1,165	296.62	—	10,753,131
June 1 – 30, 2022	—	—	—	10,753,131
Total	1,165	\$ 296.62	—	10,753,131

- (1) Includes 1,165 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) Includes 753,131 shares under a repurchase program authorized by the Board of Directors on September 24, 2013, and 10,000,000 shares under a repurchase program authorized by the Board of Directors on November 3, 2021. There is no expiration date for either program.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

- [22](#) Subsidiary Issuer of Guaranteed Securities.
- [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.
- 101 The following materials from this report, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements.
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

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: August 4, 2022

/s/ Christopher J. DeOrefice

Christopher J. DeOrefice

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

/s/ Thomas J. Spoerel

Thomas J. Spoerel

Senior Vice President, Controller and Chief Accounting Officer

(Principal Accounting Officer)

Subsidiary Issuers of Guaranteed Securities

As of June 30, 2022, Becton, Dickinson and Company (“BD”) is the guarantor of the senior unsecured registered notes listed below issued by Becton Dickinson Euro Finance S.à r.l. (“BD Finance”). BD owns, directly or indirectly, 100% of BD Finance.

Becton Dickinson Euro Finance S.à r.l.

0.334% Notes due August 13, 2028

1.336% Notes due August 13, 2041

1.213% Notes due February 12, 2036

1.208% Notes due June 4, 2026

0.632% Notes due June 4, 2023

CERTIFICATION

I, Thomas E. Polen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Becton, Dickinson and Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2022

/s/ Thomas E. Polen

Thomas E. Polen

Chairman, Chief Executive Officer and President

CERTIFICATION

I, Christopher J. DeLorefice, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Becton, Dickinson and Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2022

/s/ Christopher J. DeLorefice

Christopher J. DeLorefice

Executive Vice President and Chief Financial Officer

CERTIFICATION

The certification set forth below is being submitted in connection with the Quarterly Report on Form 10-Q of Becton, Dickinson and Company for the quarter ended June 30, 2022 (the "Report") for the purpose of complying with Rule 13a – 14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Thomas E. Polen, the Chief Executive Officer of Becton, Dickinson and Company, certify that:

1. such Report fully complies with the requirements of Section 13(a) of the Exchange Act; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Becton, Dickinson and Company.

Date: August 4, 2022

/s/ Thomas E. Polen

Name: Thomas E. Polen

Chief Executive Officer

CERTIFICATION

The certification set forth below is being submitted in connection with the Quarterly Report on Form 10-Q of Becton, Dickinson and Company for the quarter ended June 30, 2022 (the "Report") for the purpose of complying with Rule 13a – 14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Christopher J. DeOrefice, the Chief Financial Officer of Becton, Dickinson and Company, certify that:

1. such Report fully complies with the requirements of Section 13(a) of the Exchange Act; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Becton, Dickinson and Company.

Date: August 4, 2022

/s/ Christopher J. DeOrefice

Name: Christopher J. DeOrefice
Chief Financial Officer