

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 March 31, 2023
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
1.900% 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 284,014,905 shares of Common Stock, \$1.00 par value, outstanding at March 31, 2023.

BECTON, DICKINSON AND COMPANY
FORM 10-Q
For the quarterly period ended March 31, 2023

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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 March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Revenues	\$ 4,821	\$ 4,750	\$ 9,407	\$ 9,468
Cost of products sold	2,586	2,637	5,038	5,135
Selling and administrative expense	1,205	1,192	2,392	2,378
Research and development expense	337	327	651	641
Acquisition-related integration and restructuring expense	62	28	106	62
Other operating expense (income), net	4	—	7	(4)
Total Operating Costs and Expenses	4,193	4,185	8,193	8,212
Operating Income	628	564	1,213	1,256
Interest expense	(118)	(97)	(220)	(195)
Interest income	10	2	16	4
Other income (expense), net	8	(27)	1	(24)
Income from Continuing Operations Before Income Taxes	529	442	1,009	1,041
Income tax provision	68	52	40	84
Net Income from Continuing Operations	460	390	969	958
Income from Discontinued Operations, Net of Tax	—	64	—	173
Net Income	460	454	969	1,131
Preferred stock dividends	(23)	(23)	(45)	(45)
Net income applicable to common shareholders	\$ 438	\$ 431	\$ 924	\$ 1,086
Basic Earnings per Share				
Income from Continuing Operations	\$ 1.54	\$ 1.29	\$ 3.25	\$ 3.20
Income from Discontinued Operations	—	0.22	—	0.61
Basic Earnings per Share	\$ 1.54	\$ 1.51	\$ 3.25	\$ 3.81
Diluted Earnings per Share				
Income from Continuing Operations	\$ 1.53	\$ 1.28	\$ 3.24	\$ 3.18
Income from Discontinued Operations	—	0.22	—	0.60
Diluted Earnings per Share	\$ 1.53	\$ 1.50	\$ 3.24	\$ 3.78
Dividends per Common Share				
	\$ 0.91	\$ 0.87	\$ 1.82	\$ 1.74

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 March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Net Income	\$ 460	\$ 454	\$ 969	\$ 1,131
Other Comprehensive (Loss) Income, Net of Tax				
Foreign currency translation adjustments	(21)	78	(101)	119
Defined benefit pension and postretirement plans	11	11	22	21
Cash flow hedges	(6)	44	(9)	37
Other Comprehensive (Loss) Income, Net of Tax	(16)	133	(87)	178
Comprehensive Income	<u>\$ 445</u>	<u>\$ 586</u>	<u>\$ 882</u>	<u>\$ 1,309</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, except per share amounts and numbers of shares

	March 31, 2023 (Unaudited)	September 30, 2022
<u>Assets</u>		
Current Assets:		
Cash and equivalents	\$ 1,981	\$ 1,006
Restricted cash	87	153
Short-term investments	6	8
Trade receivables, net	2,413	2,191
Inventories:		
Materials	788	707
Work in process	428	397
Finished products	2,441	2,120
	3,656	3,224
Prepaid expenses and other	1,444	1,559
Total Current Assets	9,587	8,141
Property, Plant and Equipment	13,204	12,415
Less allowances for depreciation and amortization	6,848	6,402
Property, Plant and Equipment, Net	6,356	6,012
Goodwill	24,780	24,621
Developed Technology, Net	8,610	9,108
Customer Relationships, Net	2,512	2,683
Other Intangibles, Net	555	519
Other Assets	1,994	1,848
Total Assets	\$ 54,394	\$ 52,934
<u>Liabilities and Shareholders' Equity</u>		
Current Liabilities:		
Current debt obligations	\$ 2,214	\$ 2,179
Payables, accrued expenses and other current liabilities	5,090	5,632
Total Current Liabilities	7,304	7,811
Long-Term Debt	16,010	13,886
Long-Term Employee Benefit Obligations	920	902
Deferred Income Taxes and Other Liabilities	4,471	5,052
Commitments and Contingencies (See Note 5)		
Shareholders' Equity		
Preferred stock	2	2
Common stock — \$1 par value; authorized — 640,000,000 shares; issued — 364,639,901 shares in March 31, 2023 and September 30, 2022	365	365
Capital in excess of par value	19,639	19,553
Retained earnings	15,563	15,157
Deferred compensation	24	23
Treasury stock	(8,327)	(8,330)
Accumulated other comprehensive loss	(1,575)	(1,488)
Total Shareholders' Equity	25,689	25,282
Total Liabilities and Shareholders' Equity	\$ 54,394	\$ 52,934

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)

	Six Months Ended March 31,	
	2023	2022
Operating Activities		
Net income	\$ 969	\$ 1,131
Less: Income from discontinued operations, net of tax	—	173
Income from continuing operations, net of tax	969	958
Adjustments to net income from continuing operations to derive net cash provided by continuing operating activities:		
Depreciation and amortization	1,130	1,094
Share-based compensation	145	134
Deferred income taxes	(325)	(53)
Change in operating assets and liabilities	(1,274)	(1,076)
Pension obligation	44	(136)
Other, net	(105)	(101)
Net Cash Provided by Continuing Operating Activities	584	820
Investing Activities		
Capital expenditures	(389)	(405)
Acquisitions, net of cash acquired	—	(450)
Other, net	(134)	(124)
Net Cash Used for Continuing Investing Activities	(524)	(979)
Financing Activities		
Change in short-term debt	365	—
Proceeds from long-term debt	1,662	—
Distribution from Embecta Corp. (see Note 2)	—	1,266
Payments of debt	(529)	(2)
Dividends paid	(563)	(541)
Other, net	(101)	(63)
Net Cash Provided by Continuing Financing Activities	835	659
Discontinued Operations		
Net cash provided by operating activities	—	298
Net cash used for investing activities	—	(11)
Net cash provided by financing activities	—	145
Net Cash Provided by Discontinued Operations	—	432
Effect of exchange rate changes on cash and equivalents and restricted cash	14	(4)
Net increase in cash and equivalents and restricted cash	909	928
Opening Cash and Equivalents and Restricted Cash	1,159	2,392
Closing Cash and Equivalents and Restricted Cash	\$ 2,068	\$ 3,320

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

BECTON, DICKINSON AND COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2023

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 2022 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. The historical results of the Diabetes Care business (previously included in BD's Medical segment) that was contributed to Embecta Corp ("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 the three and six months ended March 31, 2022. 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 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. On March 31, 2022, Embecta used a portion of the proceeds from its financing transactions to make a cash distribution of approximately \$1.266 billion to the Company.

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 and six months ended March 31, 2023 as a result of these agreements were immaterial.

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

Millions of dollars	Three Months Ended	Six Months Ended
	March 31,	March 31,
	2022	2022
Revenues	\$ 261	\$ 538
Cost of products sold	69	143
Selling and administrative expense	40	78
Research and development expense	16	32
Other operating expense, net	49	74
Total Operating Costs and Expenses	174	327
Operating Income	88	211
Interest expense	(4)	(4)
Income from Discontinued Operations Before Income Taxes	83	207
Income tax provision	19	33
Income from Discontinued Operations, Net of Tax	\$ 64	\$ 173

During the three and six months ended March 31, 2022, the Company incurred \$53 million and \$78 million, respectively, of separation costs, including those for consulting, legal, tax and other advisory services associated with the spin-off, which were previously recorded within *Other operating expense (income), net* and *Interest expense*. These amounts were recast as components of *Income from Discontinued Operations, Net of Tax* as detailed above. The amounts of *Revenues* and *Cost of products sold* from discontinued operations detailed above include previously eliminated intercompany transactions that occurred between BD and Embecta, which resulted in a third-party sale in the same period.

Note 3 – Shareholders' Equity

Changes in certain components of shareholders' equity for the first two quarters of fiscal years 2023 and 2022 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, 2022	\$ 365	\$ 19,553	\$ 15,157	\$ 23	(81,283)	\$ (8,330)
Net income	—	—	509	—	—	—
Common dividends (\$0.91 per share)	—	—	(259)	—	—	—
Preferred dividends	—	—	(23)	—	—	—
Issuance of shares under employee and other plans, net	—	(52)	—	—	556	(3)
Share-based compensation	—	89	—	—	—	—
Common stock held in trusts, net (a)	—	—	—	—	(11)	—
Balance at December 31, 2022	\$ 365	\$ 19,590	\$ 15,384	\$ 24	(80,738)	\$ (8,333)
Net income	—	—	460	—	—	—
Common dividends (\$0.91 per share)	—	—	(259)	—	—	—
Preferred dividends	—	—	(23)	—	—	—
Issuance of shares under employee and other plans, net	—	(7)	—	—	21	5
Share-based compensation	—	56	—	—	—	—
Common stock held in trusts, net (a)	—	—	—	—	92	—
Balance at March 31, 2023	\$ 365	\$ 19,639	\$ 15,563	\$ 24	(80,625)	\$ (8,327)

(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)	—	—	—
Issuance of shares under employee 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)	—	—	—
Issuance of shares under employee 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)

- (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, which has been fully utilized. 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 two quarters of fiscal years 2023 and 2022 were as follows:

(Millions of dollars)	Total	Foreign Currency Translation	Benefit Plans	Cash Flow Hedges
Balance at September 30, 2022	\$ (1,488)	\$ (987)	\$ (574)	\$ 75
Other comprehensive loss before reclassifications, net of taxes	(84)	(80)	—	(4)
Amounts reclassified into income, net of taxes	12	—	11	1
Balance at December 31, 2022	\$ (1,559)	\$ (1,067)	\$ (563)	\$ 73
Other comprehensive loss before reclassifications, net of taxes	(29)	(21)	—	(8)
Amounts reclassified into income, net of taxes	13	—	11	2
Balance at March 31, 2023	\$ (1,575)	\$ (1,088)	\$ (552)	\$ 67

(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

The amounts of foreign currency translation recognized in other comprehensive income during the three and six months ended March 31, 2023 and 2022 included net (losses) gains relating to net investment hedges. The amounts recognized in other comprehensive income relating to cash flow hedges during the three and six months ended March 31, 2023 and 2022 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 six months ended March 31, 2023 and 2022 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 six months ended March 31, 2023 and 2022 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 March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Average common shares outstanding	284,292	285,243	284,087	284,961
Dilutive share equivalents from share-based plans	1,353	2,003	1,273	2,215
Dilutive share equivalents from Series C preferred shares (a)	—	53	—	26
Average common and common equivalent shares outstanding – assuming dilution	285,645	287,299	285,360	287,202
Share equivalents excluded from the diluted shares outstanding calculation:				
Mandatory convertible preferred stock (b)	6,060	5,639	6,060	5,639
Share-based plans (c)	617	—	617	676

- (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 March 31, 2023, the Company is defending approximately 33,285 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 outcome in any one trial is not representative of potential outcomes of all cases or claims related to the Company's product liability matters.

- The first bellwether trial in the hernia MDL resulted in a complete defense verdict in favor of the Company in September 2021.
- The second hernia MDL bellwether resulted in a \$255 thousand verdict in April 2022.
- The first bellwether trial in RI resulted in a \$4.8 million verdict in August 2022, which the Company plans to appeal.

Trials are currently scheduled in state and/or federal courts, including additional bellwether trials in the MDL in October 2023

and January 2024. The Company also expects additional trials of Hernia Product Claims to take place over the next 12 months in RI, including trials in September 2023 and October 2023.

The Company also continues to be a defendant in certain other mass tort litigation. As of March 31, 2023, 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 March 31, 2023, 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 ("Exchange Act") 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 AlarisTM 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. After an initial without prejudice dismissal, the plaintiff filed amended pleadings, which the Company in turn moved to dismiss. Ultimately, the court permitted certain aspects of the case to proceed. An answer with affirmative defenses was thereafter filed on October 3, 2022. Discovery has commenced and plaintiff's motion for class certification was filed on January 17, 2023. The Company believes that it has strong defenses to the allegations that were not dismissed and it intends to defend itself vigorously.

On November 2, 2020, a putative shareholder derivative 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, derivatively on behalf of the Company, against certain of the Company's directors and officers. The complaint asserts claims for breach of fiduciary duty, violations of sections 10(b), 14(a) and 21D of the Exchange Act, and insider trading. The complaint principally alleges that the Company made misleading statements regarding AlarisTM infusion pumps in a proxy statement and other SEC filings. A second derivative action 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 derivative actions, and demanded, among other things, that the Board of Directors pursue claims 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, communicating its determination to counsel for the shareholders. On January 10, 2023, one of the two shareholders referenced above filed a separate derivative action that: (i) is generally consistent with the shareholder letter and the two prior actions; and (ii) purports to challenge the reasonableness of the special committee's process and determination. The Company believes that it has strong defenses to these claims and intends to defend itself vigorously.

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. Trial began on September 19, 2022, resulting in a complete defense verdict for the Company on October 6, 2022, from which AngioDynamics filed a notice of appeal. AngioDynamics withdrew its appeal and on February 17, 2023, the Second Circuit Court of Appeals entered an order dismissing the appeal, which preserved the trial victory and closed the case.

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, AlarisTM 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. The Company and the government have agreed to mediation in an effort to resolve this dispute.

In April 2023, the Department of Justice served the Company with a CID seeking information regarding the Company's Genesis™ container products in connection with an investigation of possible violations of the False Claims Act. The government has made requests for documents 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 as to the remaining claims. 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.

The Company was sued in state and federal courts in Georgia by plaintiffs who work or reside near Company facilities in Covington, GA, where ethylene oxide ("EtO") sterilization activities take place. The federal cases have been dismissed and refiled in state court. The plaintiffs in the cases seek compensatory and punitive damages. Pursuant to Georgia statute, punitive damages in these cases are generally capped at \$250,000 per claimant. The cases allege a variety of injuries, including but not limited to multiple types of cancer, allegedly attributable to exposure to EtO. The Company does not believe these cases are appropriate for class action treatment and they have not been filed as such. The Company currently has approximately 220 of such suits involving approximately 320 plaintiffs; approximately 45 of the cases also allege injury caused by exposure to a chemical of another defendant entirely unrelated to the Company. Three trial dates have been set in 2024. The Company has meritorious defenses and intends to defend itself vigorously and believes that future claims would generally face statute of limitations hurdles.

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. The Company also is 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.

The Company considers the following information when estimating its product liability accruals, including, but not limited to: the nature, quantity, and quality of unfiled and filed claims; the continued rate of claims being filed in certain product liability matters; the status of certain settlement discussions with plaintiffs' counsel; the allegations and documentation supporting or refuting such allegations; publicly available information regarding similar medical device mass tort settlements; historical

information regarding other product liability settlements involving the Company; and the stage of litigation. Because the information that is currently available regarding product liability matters is often limited, there is inherent uncertainty and volatility relating to the Company's estimate of product liability. As additional information becomes available, the Company records adjustments to its product liability accruals as required.

Accruals for the Company's product liability claims which are discussed above, as well as the related legal defense costs, amounted to approximately \$1.9 billion and \$2.1 billion on March 31, 2023 and September 30, 2022, respectively. These accruals, which are generally long-term in nature, 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, financial condition, 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 2022 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 March 31, 2023 and September 30, 2022 was \$541 million and \$525 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 \$2.5 billion at March 31, 2023. 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 \$2.2 billion at March 31, 2023. 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 and revenues from continuing operations. Revenues and operating income from the Diabetes Care business prior to its spin-off are included in *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 six-month periods are detailed below. The Company has no material intersegment revenues.

s of dollars)	Three Months Ended March 31,					
	2023			2022		
	United States	International	Total	United States	International	Total
Medical						
Insulin Delivery Solutions (a)	\$ 616	\$ 454	\$1,070	\$590	\$ 460	1,049
Insulin Management Solutions	550	173	723	461	143	604
Insulin Delivery Systems (a)	173	394	567	125	375	501
Total segment revenues	\$1,339	\$1,022	\$2,360	\$1,176	\$ 978	2,154
Life Sciences						
Diagnostic Solutions	\$ 422	\$ 466	\$ 888	\$618	\$ 532	1,150
Medical Devices	159	228	386	129	206	335
Total segment revenues	\$581	\$ 694	\$1,275	\$747	\$ 738	1,485
Interventional						
Medical	\$ 295	\$ 86	\$ 381	\$268	\$ 72	340
Medical Intervention	256	213	468	240	210	450
Medical and Critical Care	263	74	336	239	82	320
Total segment revenues	\$813	\$ 373	\$1,186	\$746	\$ 364	1,111
Total revenues from continuing operations	\$2,733	\$1,088	\$4,821	\$2,669	\$1,081	4,750

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

(Millions of dollars)	Six Months Ended March 31,					
	2023			2022		
	United States	International	Total	United States	International	Total
Medical						
Medication Delivery Solutions (a)	\$ 1,235	\$ 873	\$ 2,109	\$ 1,210	\$ 936	\$ 2,146
Medication Management Solutions	1,114	316	1,430	945	286	1,231
Pharmaceutical Systems (a)	292	684	976	228	669	897
Total segment revenues	\$ 2,642	\$ 1,873	\$ 4,515	\$ 2,383	\$ 1,892	\$ 4,274
Life Sciences						
Integrated Diagnostic Solutions	\$ 930	\$ 911	\$ 1,841	\$ 1,232	\$ 1,062	\$ 2,295
Biosciences	296	440	736	258	416	674
Total segment revenues	\$ 1,226	\$ 1,351	\$ 2,577	\$ 1,490	\$ 1,478	\$ 2,968
Interventional						
Surgery	\$ 582	\$ 162	\$ 744	\$ 549	\$ 152	\$ 701
Peripheral Intervention	492	410	902	457	407	863
Urology and Critical Care	522	148	670	492	168	661
Total segment revenues	\$ 1,595	\$ 720	\$ 2,315	\$ 1,498	\$ 727	\$ 2,225
Total Company revenues from continuing operations	\$ 5,462	\$ 3,944	\$ 9,407	\$ 5,372	\$ 4,096	\$ 9,468

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

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

(Millions of dollars)	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
	Income from Continuing Operations Before Income Taxes			
Medical (a)	\$ 641	\$ 476	\$ 1,195	\$ 1,048
Life Sciences	394	475	827	1,009
Interventional	297	280	598	544
Total Segment Operating Income	1,333	1,231	2,621	2,602
Acquisition-related integration and restructuring expense	(62)	(28)	(106)	(62)
Net interest expense	(108)	(95)	(204)	(191)
Other unallocated items (b)	(635)	(665)	(1,301)	(1,307)
Total Income from Continuing Operations Before Income Taxes	\$ 529	\$ 442	\$ 1,009	\$ 1,041

- (a) The amounts for the three and six months ended March 31, 2022 include a charge of \$54 million recorded to *Cost of products sold* to write down the carrying value of certain fixed assets in the Pharmaceutical Systems unit, as well as a charge of \$35 million to adjust estimated future product remediation costs.
- (b) Primarily comprised of foreign exchange, certain general and administrative expenses and share-based compensation expense.

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 six-month periods:

(Millions of dollars)	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Service cost	\$ 22	\$ 34	\$ 46	\$ 69
Interest cost	32	19	67	38
Expected return on plan assets	(35)	(46)	(73)	(94)
Amortization of prior service credit	(2)	(4)	(3)	(8)
Amortization of loss	15	15	32	31
Settlements	1	1	1	6
Net pension cost	\$ 34	\$ 18	\$ 70	\$ 42

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 income (expense), net* on its condensed consolidated statements of income.

Note 9 – Business Restructuring Charges

The Company incurred restructuring costs during the six months ended March 31, 2023, primarily in connection with the Company's simplification and other cost saving initiatives, which were 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 six months ended March 31, 2023 was as follows:

(Millions of dollars)	Employee Termination	Other (a)	Total
Balance at September 30, 2022	\$ 24	\$ 11	\$ 35
Charged to expense	10	49	59
Cash payments	(14)	(46)	(60)
Non-cash settlements	—	(11)	(11)
Balance at March 31, 2023	\$ 20	\$ 3	\$ 23

- (a) Expense primarily relates to other costs associated with the execution of the Company's cost efficiency and restructuring programs, such as incremental project management costs and asset write-offs.

Note 10 – Intangible Assets

Intangible assets consisted of:

Thousands of dollars)	March 31, 2023			September 30, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets						
Developed technology	15,190	(6,530)	8,660	15,087	(5,979)	9,108
Customer relationships	4,859	(2,347)	2,512	4,853	(2,170)	2,683
Patents, trademarks and other	1,113	(604)	509	1,046	(574)	473
Amortized intangible assets	21,162	(9,481)	11,681	20,986	(8,723)	12,263
Unamortized intangible assets						
Acquired in-process research and development	44		\$ 44	44		\$ 44
Trademarks	2		\$ 2	2		\$ 2
Unamortized intangible assets	46		\$ 46	46		\$ 46

Intangible amortization expense for the three months ended March 31, 2023 and 2022 was \$366 million and \$352 million, respectively. Intangible amortization expense for the six months ended March 31, 2023 and 2022 was \$731 million and \$707 million, respectively.

The following is a reconciliation of goodwill by business segment:

(Millions of dollars)	Medical	Life Sciences	Interventional	Total
Goodwill as of September 30, 2022	\$ 10,909	\$ 888	\$ 12,824	\$ 24,621
Purchase price allocation adjustments	3	—	—	3
Currency translation	56	12	89	156
Goodwill as of March 31, 2023	\$ 10,968	\$ 899	\$ 12,913	\$ 24,780

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 March 31, 2023 and September 30, 2022 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 March 31, 2023 and September 30, 2022 were as follows:

(Millions of dollars)	Hedge Designation	March 31, 2023	September 30, 2022
Foreign exchange contracts (a)	Undesignated	\$ 1,617	\$ 2,766
Foreign currency-denominated debt (b)	Net investment hedges	1,831	2,140
Cross-currency swaps (c)	Net investment hedges	2,119	910

- (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 income (expense), net*, during the three and six months ended March 31, 2023 and 2022 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 (losses) gains recorded to *Accumulated other comprehensive income (loss)* relating to the Company's net investment hedges for the three and six-month periods were as follows:

(Millions of dollars)	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Foreign currency-denominated debt	\$ (22)	\$ 45	\$ (164)	\$ 94
Cross-currency swaps (a)	(21)	16	(101)	46

- (a) The amounts for the three and six months ended March 31, 2023 include a gain, net of tax, of \$3 million recognized on terminated cross-currency swaps.

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 six months ended March 31, 2023 and 2022, as well as the amounts expected to be reclassified within the next 12 months, are not material to the Company's consolidated financial results.

Net after-tax gains (losses) recorded in *Other comprehensive income* relating to interest rate cash flow hedges during the three and six months ended March 31, 2023 were immaterial to the Company's consolidated financial results and were \$43 million and \$39 million during the three and six months ended March 31, 2022, respectively.

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 six months ended March 31, 2023 and 2022 were immaterial to the Company's consolidated financial results.

The notional amounts of the Company's interest rate-related derivative instruments as of March 31, 2023 and September 30, 2022 were as follows:

(Millions of dollars)	Hedge Designation	March 31, 2023	September 30, 2022
Interest rate swaps (a)	Fair value hedges	\$ 700	\$ 700
Forward starting interest rate swaps (b)	Cash flow hedges	500	500

(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 commodity derivative forward contracts at March 31, 2023 and September 30, 2022 were immaterial to the Company's consolidated financial results.

Note 12 – Financial Instruments and Fair Value Measurements

The following reconciles cash and equivalents and restricted cash reported within the Company's condensed consolidated balance sheets at March 31, 2023 and September 30, 2022 to the total of these amounts shown on the Company's condensed consolidated statements of cash flows:

(Millions of dollars)	March 31, 2023	September 30, 2022
Cash and equivalents	\$ 1,981	\$ 1,006
Restricted cash	87	153
Cash and equivalents and restricted cash	<u>\$ 2,068</u>	<u>\$ 1,159</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	March 31, 2023	September 30, 2022
Institutional money market accounts (a)	Level 1	\$ 50	\$ 1
Current portion of long-term debt (b)	Level 2	1,609	1,927
Long-term debt (b)	Level 2	14,676	12,119

(a) These financial instruments are recorded within *Cash and equivalents* on the condensed 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 condensed consolidated balance sheets.

Nonrecurring Fair Value Measurements

In the second quarter of fiscal year 2022, the Company recorded a noncash asset impairment charge of \$54 million to *Cost of products sold* in the Medical segment. The amount recognized was recorded to adjust the carrying amount of assets to the assets' fair values, which was 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 March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Trade receivables transferred to third parties under factoring arrangements	\$ 750	\$ 292	\$ 1,490	\$ 434

	March 31, 2023	September 30, 2022
Amounts yet to be collected and remitted to the third parties	\$ 359	\$ 323

Note 13 – Debt

In February 2023, the Company issued \$800 million of 4.693% notes due February 13, 2028. Also in February 2023, Becton Dickinson Euro Finance S.à r.l., a private limited liability company (société à responsabilité limitée), which is an indirect, wholly-owned finance subsidiary of the Company, issued €800 million (\$868 million) of 3.553% Euro-denominated notes due September 13, 2029 (the “BD Finance Notes”). The BD Finance Notes are fully and unconditionally guaranteed on a senior unsecured basis by the Company. No other of the Company’s subsidiaries provide any guarantees with respect to the BD Finance Notes. The indenture covenants included a limitation on liens and a restriction on sale and leasebacks, change of control and consolidation, merger and sale of assets covenants. These covenants are subject to a number of exceptions, limitations and qualifications. The indenture does not restrict the Company, Becton Dickinson Euro Finance S.à r.l., or any other of the Company’s subsidiaries from incurring additional debt or other liabilities, including additional senior debt. Additionally, the indenture does not restrict Becton Dickinson Euro Finance S.à r.l. and the Company from granting security interests over its assets.

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 Corp. ("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 the three and six months ended March 31, 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

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, as well as continue to improve operating efficiency and organizational effectiveness, despite continued challenges posed by the global macroeconomic environment.

Our operations, supply chain and suppliers are exposed to various global macroeconomic factors. The factors which were most impactful to our results in the second quarter of fiscal year 2023 included the following:

- Inflation, which has continued to drive higher costs of raw materials, electronic components, labor, energy, and logistical services. We expect inflation to persist throughout our fiscal year 2023. However, we are experiencing improvements for certain raw material and logistics costs.
- The availability of energy sources in certain markets, as well as the availability of certain raw materials and electronic components on a global basis. There is also a limited supply of skilled labor in certain markets which continues to drive higher overall labor costs, as noted above.
- Logistics capacity constraints continue to ease compared to our fiscal year 2022; however, lead times remain elevated globally. Also, more frequent extreme weather events continue to impact global supply chain conditions.

Certain COVID-19 pandemic-related impacts were experienced by our businesses in the prior-year period, as discussed in greater detail below. The pandemic has changed the ways healthcare services are delivered due to budget constraints and staffing shortages, particularly shortages of nursing staff. Current healthcare delivery has transitioned more care from acute to non-acute settings and has increased focus on chronic disease management; this transition may place additional financial pressure on hospitals and the broader healthcare system. 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. Additionally, a

worsening of staffing shortages within healthcare systems may affect the prioritization of healthcare services, which could also impact the demand for certain of our products.

Certain geopolitical conditions, including the conflict between Russia and Ukraine, have contributed to the macroeconomic conditions discussed above. This conflict 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 further weaken the global economy and could result in additional inflationary pressures and supply chain constraints, including the unavailability and cost of energy.

We have been mitigating the impacts of the macroeconomic factors discussed above through various strategies which leverage our procurement, logistics and manufacturing capabilities. However, there can be no assurance that we will be able to effectively mitigate these pressures in future periods and an inability to offset these pressures through our strategies, at least in part, could adversely impact our results of operations. 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 Part I, Item 1A. Risk Factors of our 2022 Annual Report on Form 10-K (the "2022 Annual Report").

Overview of Financial Results and Financial Condition

For the three months ended March 31, 2023, worldwide revenues of \$4.821 billion increased 1.5% from the prior-year period. This increase reflected the following impacts:

	Increase (decrease) in current-period revenues
Volume/other	4.4 %
Period-over-period decline in revenues related to COVID-19-only testing	(4.2) %
Pricing	3.9 %
Foreign currency translation	(2.6) %
Increase in revenues from the prior-year period	<u>1.5 %</u>

See the "Results of Continuing Operations" section below for further discussion of our segments' second quarter fiscal year 2023 results. Our second quarter fiscal year 2023 revenues reflected sales related to COVID-19-only diagnostic testing on the BD Veritor™ Plus and BD Max™ Systems of \$16 million, compared with revenues from such testing products in the prior-year period of \$214 million.

Cash flows from continuing operating activities were \$584 million in the first six months of fiscal year 2023. At March 31, 2023, we had \$2.074 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 six months of fiscal year 2023, we paid cash dividends of \$563 million, including \$517 million paid to common shareholders and \$45 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 and earnings during the second quarter of fiscal year 2023. 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 second quarter Medical revenues by organizational unit:

(Millions of dollars)	Three months ended March 31,				
	2023	2022	Total Change	Estimated FX Impact	FXN Change
Medication Delivery Solutions (a)	\$ 1,070	\$ 1,049	1.9 %	(2.7) %	4.6 %
Medication Management Solutions	723	604	19.8 %	(1.7) %	21.5 %
Pharmaceutical Systems (a)	567	501	13.3 %	(3.6) %	16.9 %
Total Medical Revenues	\$ 2,360	\$ 2,154	9.6 %	(2.6) %	12.2 %

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

The Medical segment's revenue growth in the second quarter of 2023 primarily reflected the following:

- Strong global sales of catheters and vascular care products in the Medication Delivery Solutions unit, partially offset by strategically planned product discontinuations and an unfavorable comparison to the prior-year period, which benefited from stronger demand for syringes used in COVID-19 vaccination efforts.
- Strong performance of the Medication Management Solutions unit's pharmacy automation portfolio, including Parata Systems, which we acquired in fiscal year 2022, and our BD Rowa™ technologies, as well as double-digit growth in sales of dispensing systems. Revenue growth attributable to the unit's recent acquisitions was approximately 12.6% in the second quarter of 2023.
- Continued strong demand for the Pharmaceutical Systems unit's prefilled solutions in high-growth markets such as biologic drugs and vaccine categories.

(Millions of dollars)	Six months ended March 31,				
	2023	2022	Total Change	Estimated FX Impact	FXN Change
Total Medical Revenues	\$ 4,515	\$ 4,274	5.6 %	(3.6) %	9.2 %

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

(Millions of dollars)	Three months ended March 31,		Six months ended March 31,	
	2023	2022	2023	2022
Medical segment income	\$ 641	\$ 476	\$ 1,195	\$ 1,048
<i>Segment income as % of Medical revenues</i>	<i>27.2 %</i>	<i>22.1 %</i>	<i>26.5 %</i>	<i>24.5 %</i>

The Medical segment's higher income as a percentage of revenues in the second quarter of 2023 compared with the second quarter of 2022 reflected the following:

- Higher gross profit margin in the second quarter of 2023 compared with the second quarter of 2022, which primarily reflected:
 - A favorable comparison to the prior-year period, which included a noncash asset impairment charge of \$54 million and a charge of \$35 million to adjust estimated future product remediation costs.
 - Favorable impacts due to lower manufacturing costs resulting from continuous improvement projects, which enhanced the efficiency of our operations, and pricing.
 - Unfavorable impacts of higher raw material, labor and freight costs, as well as unfavorable foreign currency translation and product mix.
- Lower selling and administrative expense as a percentage of revenues in the second quarter of 2023 compared with the second quarter of 2022 primarily reflected lower shipping and selling costs.
- Lower research and development expense as a percentage of revenues in the second quarter of 2023 compared with the second quarter of 2022 due to the timing of project spending.

Life Sciences Segment

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

(Millions of dollars)	Three months ended March 31,				
	2023	2022	Total Change	Estimated FX Impact	FXN Change
Integrated Diagnostic Solutions	\$ 888	\$ 1,150	(22.7)%	(2.4) %	(20.3)%
Biosciences	386	335	15.3 %	(3.4) %	18.7 %
Total Life Sciences Revenues	\$ 1,275	\$ 1,485	(14.2)%	(2.7) %	(11.5)%

As previously discussed above, the Integrated Diagnostic Solutions unit's revenues related to COVID-19-only diagnostic testing on the BD Veritox™ Plus and BD Max™ Systems in the second quarter of 2023 were \$16 million compared with revenues of \$214 million in the prior-year period. The Life Sciences segment's revenues in the second quarter of 2023 also reflected the following:

- An unfavorable comparison in the Integrated Diagnostic Solutions unit to the prior-year period which benefited from a stronger respiratory illness season, partially offset by growth driven by the unit's installations of BD Kiestra™ lab automation systems, strong demand for our specimen management products, and continued leverage of the unit's larger installed base of BD MAX™ instruments.
- Strong demand for the Biosciences unit's research reagents and the unit's flow cytometry instruments, including the unit's recently launched BD FACSymphony™ cell analyzers.

(Millions of dollars)	Six months ended March 31,				
	2023	2022	Total Change	Estimated FX Impact	FXN Change
Total Life Sciences Revenues	\$ 2,577	\$ 2,968	(13.2)%	(3.8) %	(9.4)%

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

(Millions of dollars)	Three months ended March 31,		Six months ended March 31,	
	2023	2022	2023	2022
Life Sciences segment income	\$ 394	\$ 475	\$ 827	\$ 1,009
<i>Segment income as % of Life Sciences revenues</i>	<i>30.9 %</i>	<i>32.0 %</i>	<i>32.1 %</i>	<i>34.0 %</i>

The Life Sciences segment's lower income as a percentage of revenues in the second quarter of 2023 compared with the second quarter of 2022 primarily reflected the following:

- Gross profit margin in the second quarter of 2023 was flat compared with the second quarter of 2022, which primarily reflected favorable impacts from price and continuous improvement projects, offset by the current-period decline in revenues attributable to higher-margin testing solutions, as further discussed above, as well as higher raw material, labor and freight costs.
- Lower selling and administrative expense as a percentage of revenues in the second quarter of 2023 compared with the second quarter of 2022 primarily reflected lower administrative costs.
- Higher research and development expense, as percentages of revenues in the second quarter of 2023 compared with the second quarter of 2022, which primarily reflected the current-period decline in revenues attributable to testing solutions and the timing of project spending.

Interventional Segment

The following summarizes second quarter Interventional revenues by organizational unit:

(Millions of dollars)	Three months ended March 31,				
	2023	2022	Total Change	Estimated FX Impact	FXN Change
Surgery	\$ 381	\$ 340	12.0 %	(1.7) %	13.7 %
Peripheral Intervention	468	450	4.1 %	(3.4) %	7.5 %
Urology and Critical Care	336	320	5.0 %	(2.1) %	7.1 %
Total Interventional Revenues	\$ 1,186	\$ 1,111	6.8 %	(2.5) %	9.3 %

The Interventional segment's revenue growth in the second quarter of 2023 primarily reflected the following:

- Double-digit growth in sales of the Surgery unit's advanced repair and reconstruction platforms and biosurgery products, as well as a favorable comparison to the prior-year period, which was unfavorably impacted by pandemic-related deferrals of elective medical procedures.
- The relaunch of the Peripheral Intervention unit's Venovo™ system, global market penetration of the Rotarex™ system, and strong growth in Oncology within the United States and Greater Asia that was aided by a favorable comparison to the prior-year period, which was unfavorably impacted by supplier-driven backlogs.
- Continued strong demand for the Urology and Critical Care unit's PureWick™ offerings in the acute and alternative care settings, aided by the recent launch of PureWick™ Male, as well as strong growth in sales of endourology products, which reflected improvement in supplier-driven backlogs compared with the prior-year period.

(Millions of dollars)	Six months ended March 31,				
	2023	2022	Total Change	Estimated FX Impact	FXN Change
Total Interventional Revenues	\$ 2,315	\$ 2,225	4.0 %	(3.4) %	7.4 %

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

(Millions of dollars)	Three months ended March 31,		Six months ended March 31,	
	2023	2022	2023	2022
Interventional segment income	\$ 297	\$ 280	\$ 598	\$ 544
Segment income as % of Interventional revenues	25.1 %	25.2 %	25.8 %	24.5 %

The Interventional segment's income as a percentage of revenues in the second quarter of 2023 was relatively flat compared with the second quarter of 2022, which reflected the following:

- Lower gross profit margin in the second quarter of 2023 compared with the second quarter of 2022, which primarily reflected:
 - Unfavorable foreign currency translation, as well as higher raw material, labor and freight costs.
 - Favorable impacts from price, continuous improvement projects, and a comparison to the prior-year period, which was unfavorably impacted by certain purchase accounting adjustments.
- Lower selling and administrative expense, as well as research and development expense, as percentages of revenues in the second quarter of 2023 compared with the second quarter of 2022, which primarily reflected revenue growth that outpaced spending.

Geographic Revenues

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

(Millions of dollars)	Three months ended March 31,				
	2023	2022	Total Change	Estimated FX Impact	FXN Change
United States	\$ 2,733	\$ 2,669	2.4 %	— %	2.4 %
International	2,088	2,081	0.4 %	(5.9) %	6.3 %
Total Revenues	\$ 4,821	\$ 4,750	1.5 %	(2.6) %	4.1 %

U.S. revenue growth in the second quarter of 2023 was particularly driven by strong sales in the Medical segment's Medication Management Solutions and Pharmaceutical Systems units, as well as by strong sales in the Life Sciences segment's Biosciences unit and the Interventional segment's Surgery unit. Second quarter U.S. revenues were unfavorably impacted by a decline in COVID-19-only diagnostic testing sales compared with the prior-year period, as discussed further above.

International revenue growth in the second quarter of 2023 was particularly driven by strong sales in all three of the Medical segment's units, as well as by strong sales in the Life Sciences segment's Biosciences unit. Second quarter International revenues were unfavorably impacted by a decline in COVID-19-only diagnostic testing sales compared with the prior-year period, as discussed further above.

Emerging market revenues were as follows and primarily reflected growth in China and the Middle East and Africa:

(Millions of dollars)	Three months ended March 31,				
	2023	2022	Total Change	Estimated FX Impact	FXN Change
Emerging markets	\$ 734	\$ 704	4.2 %	(4.5) %	8.7 %

Specified Items

Reflected in the financial results for the three and six-month periods of fiscal years 2023 and 2022 were the following specified items:

(Millions of dollars)	Three months ended March 31,		Six months ended March 31,	
	2023	2022	2023	2022
Integration costs (a)	\$ 29	\$ 11	\$ 47	\$ 28
Restructuring costs (a)	33	17	59	34
Separation-related items (b)	3	—	9	—
Purchase accounting adjustments (c)	347	356	709	720
European regulatory initiative-related costs (d)	37	35	70	66
Product, litigation, and other items (e)	—	109	4	131
Total specified items	449	528	898	979
Less: tax impact of specified items	70	96	155	182
After-tax impact of specified items	\$ 379	\$ 432	\$ 743	\$ 797

- Represents amounts associated with integration and restructuring activities which are recorded in *Acquisition-related integration and restructuring expense* and are further discussed below.
- Represents costs recorded to *Other operating expense (income), net* and incurred in connection with the separation of BD's former Diabetes Care business.
- Includes amortization and other adjustments related to the purchase accounting for acquisitions. BD's amortization expense is recorded in *Cost of products sold*.
- 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) Includes certain (income) expense items which are not part of ordinary operations and affect the comparability of the periods presented. Such items may include certain product remediation costs, certain product liability and legal defense costs, certain investment gains and losses, and certain asset impairment charges. The amounts in 2022 largely represented a noncash asset impairment charge of \$54 million and a charge of \$35 million to adjust estimated future product remediation costs, which were both recorded to *Cost of products sold*.

Gross Profit Margin

Gross profit margin for the three and six-month periods of fiscal year 2023 compared with the prior-year periods in fiscal year 2022 reflected the following impacts:

	Three-month period	Six-month period
March 31, 2022 gross profit margin %	44.5 %	45.8 %
Impact of purchase accounting adjustments and other specified items	1.9 %	0.9 %
Operating performance	1.0 %	(0.2)%
Foreign currency translation	(1.0)%	(0.1)%
March 31, 2023 gross profit margin %	46.4 %	46.4 %

The impacts of other specified items on gross profit margin in the three and six-month periods of 2023 reflected a favorable comparison to the prior-year periods, which were impacted by a noncash asset impairment charge of \$54 million and a charge of \$35 million to adjust estimated future product remediation costs. These charges were recorded in the Medical segment.

Operating performance in the three-month period of 2023 primarily reflected favorable impacts of lower manufacturing costs resulting from our ongoing continuous improvement projects and pricing, partially offset by higher raw material, labor and freight costs. Operating performance in the six-month period of 2023 reflected higher raw material, labor and freight costs, partially offset by favorable impacts of lower manufacturing costs resulting from our ongoing continuous improvement projects and pricing.

Operating Expenses

A summary of operating expenses for the three and six-month periods of fiscal years 2023 and 2022 is as follows:

	Three months ended March 31,		Increase (decrease) in basis points	Six months ended March 31,		Increase (decrease) in basis points
	2023	2022		2023	2022	
(Millions of dollars)						
Selling and administrative expense	\$ 1,205	\$ 1,192		\$ 2,392	\$ 2,378	
<i>% of revenues</i>	25.0 %	25.1 %	(10)	25.4 %	25.1 %	30
Research and development expense	\$ 337	\$ 327		\$ 651	\$ 641	
<i>% of revenues</i>	7.0 %	6.9 %	10	6.9 %	6.8 %	10
Acquisition-related integration and restructuring expense	\$ 62	\$ 28		\$ 106	\$ 62	
Other operating expense (income), net	\$ 4	\$ —		\$ 7	\$ (4)	

Selling and administrative expense

Lower selling and administrative expense as a percentage of revenues in the three-month period of 2023 compared with the prior-year period primarily reflected higher revenues in the current period and favorable foreign currency translation, partially offset by higher selling costs and an increase in our deferred compensation plan liability due to market performance. Higher selling and administrative expense as a percentage of revenues in the six-month period of 2023 compared with the prior-year

period primarily reflected higher selling and shipping costs in the current-year period, as well as an increase in our deferred compensation plan liability due to market performance, partially offset by favorable foreign currency translation.

Research and development expense

Research and development expense as a percentage of revenues in the three and six-month periods of 2023 was relatively flat compared with the prior-year period, which primarily reflected the timing of project spending.

Acquisition-related integration and restructuring expense

Acquisition-related integration and restructuring expense in the three and six-month periods of 2023 and 2022 included restructuring costs related to simplification and other cost saving initiatives, as well as system integration costs. For further disclosures regarding restructuring costs, refer to Note 9 in the Notes to Condensed Consolidated Financial Statements.

Nonoperating Income

Net interest expense

The components for the three and six-month periods of fiscal years 2023 and 2022 were as follows:

(Millions of dollars)	Three months ended March 31,		Six months ended March 31,	
	2023	2022	2023	2022
Interest expense	\$ (118)	\$ (97)	\$ (220)	\$ (195)
Interest income	10	2	16	4
Net interest expense	\$ (108)	\$ (95)	\$ (204)	\$ (191)

Higher interest expense for the three and six-month periods of fiscal year 2023 compared with the prior-year periods was largely attributable to the level of commercial paper borrowings outstanding in the current-year periods and to higher overall interest rates on debt outstanding. Additional disclosures regarding debt issuances in the current-year period are provided in Note 13 in the Notes to Condensed Consolidated Financial Statements.

Income Taxes

The income tax rates for continuing operations for the three and six-month periods of fiscal years 2023 and 2022 are provided below.

	Three months ended March 31,		Six months ended March 31,	
	2023	2022	2023	2022
Effective income tax rate for continuing operations	12.9 %	11.8 %	4.0 %	8.0 %
Impact, in basis points, from specified items	(120)	(350)	(620)	(520)

The effective income tax rate for the three-month period of fiscal year 2023 primarily reflected a tax impact from specified items that was less favorable compared with the benefit associated with specified items recognized in the prior-year period. The effective income tax rate for the six-month period of fiscal year 2023 compared with the prior-year period primarily reflected the impact of a remeasurement of deferred tax assets and liabilities upon the approval of a tax incentive, as well as a tax impact from specified items that was more favorable compared with the benefit associated with specified items recognized in the prior-year period.

Net Income and Diluted Earnings per Share from Continuing Operations

Net income and diluted earnings per share from continuing operations for the three and six-month periods of fiscal years 2023 and 2022 were as follows:

	<u>Three months ended March 31,</u>		<u>Six months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net Income from Continuing Operations (Millions of dollars)	\$ 460	\$ 390	\$ 969	\$ 958
Diluted Earnings per Share from Continuing Operations	\$ 1.53	\$ 1.28	\$ 3.24	\$ 3.18
Unfavorable impact-specified items	\$ (1.33)	\$ (1.50)	\$ (2.60)	\$ (2.77)
Unfavorable impact-foreign currency translation	\$ (0.22)		\$ (0.26)	

Liquidity and Capital Resources

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

<u>(Millions of dollars)</u>	<u>Six months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Net cash provided by (used for) continuing operations		
Operating activities	\$ 584	\$ 820
Investing activities	\$ (524)	\$ (979)
Financing activities	\$ 835	\$ 659

Net Cash Flows from Continuing Operating Activities

Cash flows from continuing operating activities in the first six months of fiscal year 2023 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, as well as higher levels of inventory and trade receivables.

Cash flows from continuing operating activities in the first six 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 2022 additionally reflected a discretionary cash contribution of \$134 million to fund our pension obligation.

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 six months of fiscal year 2023 included capital expenditure-related outflows of \$389 million, compared with \$405 million in the prior-year period. Net outflows from investing activities in the first six months of fiscal year 2022 also included cash payments of \$450 million relating to various strategic acquisitions we executed as part of our growth strategy.

Net Cash Flows from Continuing Financing Activities

Net cash from continuing financing activities in the first six months of fiscal years 2023 and 2022 included the following significant cash flows:

(Millions of dollars)	Six months ended March 31,	
	2023	2022
Cash inflow (outflow)		
Change in short-term debt	\$ 365	\$ —
Proceeds from long-term debt	\$ 1,662	\$ —
Distribution from Embecta	\$ —	\$ 1,266
Payments of debt	\$ (529)	\$ (2)
Dividends paid	\$ (563)	\$ (541)

Additional disclosures regarding debt issuances are provided in Note 13 in the Notes to Condensed Consolidated Financial Statements.

Certain measures relating to our total debt were as follows:

(Millions of dollars)	March 31, 2023	September 30, 2022
Total debt	\$ 18,223	\$ 16,065
Weighted average cost of total debt	2.9 %	2.8 %
Total debt as a percentage of total capital*	40.3 %	37.3 %

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

Cash and Short-Term Investments

At March 31, 2023, total worldwide cash and equivalents and short-term investments, including restricted cash, were approximately \$2.074 billion. These assets were largely held in Europe and 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, which was amended and restated in January 2023, provides borrowings of up to \$2.750 billion, with separate sub-limits of \$100 million and \$194 million for letters of credit and swingline loans, respectively. 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 \$3.250 billion. Proceeds from this facility may be used for general corporate purposes and Becton Dickinson Euro Finance S.à r.l., an indirect, wholly-owned finance subsidiary of the Company, is authorized as an additional borrower under the credit facility. There were no borrowings outstanding under the revolving credit facility at March 31, 2023.

The agreement for our revolving credit facility contains the following financial covenants. We were in compliance with these covenants, as applicable, as of March 31, 2023.

- 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 may access commercial paper programs over the normal course of our business activities. In March 2023, we amended the agreement for our U.S. commercial paper program. The amendment provided, among other things, an increase of the maximum amount of unsecured borrowings available under the program to \$2.750 billion. Also in March 2023, we entered into an agreement to establish a multicurrency euro commercial paper program. This multicurrency program allows for a maximum amount of unsecured borrowings that, when aggregated with the amount outstanding under the U.S. commercial paper program, will not exceed \$2.750 billion at any time. Proceeds from these programs may be used for working capital purposes and general

corporate purposes, which may include acquisitions, share repurchases and repayments of debt. We had \$595 million of commercial paper borrowings outstanding as of March 31, 2023. We have additional informal lines of credit outside the United States. 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

Our corporate credit ratings with Standard & Poor's Ratings Services ("S&P"), Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch") at March 31, 2023 were unchanged compared with our ratings at September 30, 2022. S&P, Moody's and Fitch assigned ratings of A-2, P-2 and F2, respectively, to the multicurrency euro commercial paper program we entered into in March 2023. These ratings were consistent with the ratings already assigned to our U.S. commercial paper program.

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 current macroeconomic conditions. 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 current macroeconomic challenges and pressures.

Other Matters

Critical Accounting Policies

There were no changes to our critical accounting policies from those disclosed in our 2022 Annual Report.

Regulatory Matters

FDA Warning Letter

On January 11, 2018, BD received a Warning Letter from the U.S. Food and Drug Administration ("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 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 air permit applications and could be subject to additional restrictions. On February 22, 2023, EPD published draft air permits for the Covington and Madison facilities. The public comment period for these draft air permits closed on April 3, 2023. There is no regulatory or statutory time requirement for EPD to issue the final air permits. 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 and emission of ethylene oxide by the U.S. Environmental Protection Agency and state environmental regulatory agencies. Additional regulatory requirements associated with the use and emission of ethylene oxide may be imposed in the future, either domestically or outside the U.S. Ethylene oxide is the most frequently used sterilant for medical devices and healthcare products in the U.S., and in certain cases is the only option to sterilize critical medical device products for the safe administration to patients. 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 to sterilize medical devices and healthcare products, and could also result in additional costs. To this end, BD has been proactively installing fugitive emissions controls at our facilities in East Columbus, NE and Sandy, UT, though such controls are not currently required by law. 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 April 13, 2023, the U.S. Environmental Protection Agency ("EPA") published a proposed revision of the National Emission Standards for Hazardous Air Pollutants: Ethylene Oxide Emissions Standards for Sterilization Facilities and a Pesticide Registration Review; Proposed Interim Decision and Draft Risk Assessment Addendum for Ethylene Oxide. The public comment period for these two proposed regulations will close on June 12, 2023, unless the public comment period is extended. We cannot predict what any final regulations adopted by the EPA may require and therefore we are not able to assess the impact they may have on our sterilization facilities, on the third-party sterilization facilities that BD utilizes and our operations more generally. It is possible that there may also be increased regulation outside the U.S. If any existing regulatory requirements or 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 AlarisTM 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 AlarisTM 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 the FDA's quality system regulations. 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 the 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. 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 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 be obligated to pay more costs in the future because, among other things, the FDA may determine that we are not fully compliant with the Consent Decree and Non-Compliance Letter and therefore impose penalties under the Consent Decree, and/or 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 2022 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. For further discussion of certain of these factors, see Item 1A. Risk Factors in our 2022 Annual Report.

- 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.
- General global, regional or national economic downturns and macroeconomic trends, including heightened inflation, capital market volatility, interest rate and currency rate fluctuations, and economic slowdown or recession, that may result in unfavorable conditions that could negatively affect demand for our products and services, impact the prices we can charge for our products and services, or impair our ability to produce our products.
- 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.
- Changes in the way healthcare services are delivered, including transition of more care from acute to non-acute settings and increased focus on chronic disease management, which may affect the demand for our products and services.

Additionally, budget constraints and staffing shortages, particularly shortages of nursing staff, may affect the prioritization of healthcare services, which could also impact the demand for certain of our products and services.

- 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 the overall macroeconomic environment and our financial condition at such time.
- The adverse financial impact resulting from unfavorable changes in foreign currency exchange rates.
- Conditions in international markets, including social and political conditions, geopolitical developments such as the ongoing Russia and Ukraine conflict and the evolving conditions in Asia, civil unrest, terrorist activity, governmental changes, restrictions on the ability to transfer capital across borders, sanctions, 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.
- 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.
- Changing customer preferences and requirements, such as increased demand for products with lower environmental footprints, and for companies to produce and demonstrate progress against greenhouse gas reduction plans and targets.
- Any impact of COVID-19, 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 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 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 changes in U.S. federal or foreign laws and policies that could affect fiscal and tax policies, taxation (including tax reforms, such as the implementation of a global minimum tax, that could adversely impact multinational corporations), 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.
- 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.
- 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 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.
- 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.
- Our ability to recruit and retain key employees and the impact of labor conditions which could increase employee turnover or increase our labor and operating costs and negatively affect our ability to efficiently operate our business.
- 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 (including sterilize) 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, adversely affect our manufacturing and distribution capabilities or cause 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, without limitation, laws relating to sales practices, environmental protection, price controls, privacy, cybersecurity, 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, 2022.

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 March 31, 2023. 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 March 31, 2023 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 2022 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 2022 Annual Report.

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

The table below sets forth certain information regarding our purchases of common stock of BD during the quarter ended March 31, 2023.

Issuer Purchases of Equity Securities

For the three months ended March 31, 2023	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)
January 1 - 31, 2023	—	\$ —	—	8,799,998
February 1 – 28, 2023	1,125	251.85	—	8,799,998
March 1 – 31, 2023	—	—	—	8,799,998
Total	1,125	\$ 251.85	—	8,799,998

- (1) Includes 1,125 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) Represents shares available under a repurchase program authorized by the Board of Directors on November 3, 2021 for 10 million shares, for which there is no expiration date.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

- [4.1](#) Fourth Supplemental Indenture, dated as of February 13, 2023, among Becton Dickinson Euro Finance S.à r.l., as issuer, Becton, Dickinson and Company, as guarantor, and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K filed on February 13, 2023).
- [4.2](#) Form of 3.553% Notes due September 13, 2029 of Becton Dickinson Euro Finance S.à r.l. (incorporated by reference to Exhibit 4.2 to the registrant's Current Report on Form 8-K filed on February 13, 2023).
- [4.3](#) Form of 4.693% Notes due February 13, 2028 of Becton, Dickinson and Company (incorporated by reference to Exhibit 4.3 to the registrant's Current Report on Form 8-K filed on February 13, 2023).
- [10.1](#) 2004 Employee and Director Equity-Based Compensation Plan, as amended and restated as of January 24, 2023 (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on January 30, 2023).*
- [10.2](#) Second Amended and Restated Credit Agreement, dated as of January 25, 2023, by and among Becton, Dickinson and Company, the other entities party thereto and Citibank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on January 25, 2023).
- [10.3](#) Omnibus Amendment, dated as of March 9, 2023, among Becton, Dickinson and Company and each of the financial institutions party thereto as dealer (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on March 10, 2023).**
- [10.4](#) Dealer Agreement, dated March 9, 2023, among Becton, Dickinson and Company and each of the financial institutions party thereto as dealer (incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on March 10, 2023).**
- [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).

* Denotes a management contract or compensatory plan or arrangement.

** Portions omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K.

SIGNATURES

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

Becton, Dickinson and Company
(Registrant)

Dated: May 4, 2023

/s/ Christopher J. DeLOrefice

Christopher J. DeLOrefice

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 March 31, 2023, 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.

0.632% Notes due June 4, 2023

1.208% Notes due June 4, 2026

0.334% Notes due August 13, 2028

3.553% Notes due September 13, 2029

1.213% Notes due February 12, 2036

1.336% Notes due August 13, 2041

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: May 4, 2023

/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: May 4, 2023

/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 March 31, 2023 (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: May 4, 2023

/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 March 31, 2023 (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: May 4, 2023

/s/ Christopher J. DeOrefice

Name: Christopher J. DeOrefice
Chief Financial Officer