As filed with the Securities and Exchange Commission on December 13, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004 COMMISSION FILE NUMBER 1-4802

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** **(Address of principal executive offices)**	**07417-1880** **(Zip code)**

(201) 847-6800
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

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 S No £

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes S No £

Indicate by checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).
Yes S No £

As of March 31, 2004, 253,285,231 shares of the registrant's common stock were outstanding and the aggregate market value of such common stock held by non-affiliates of the registrant was approximately $12,237,042,985.

Documents Incorporated by Reference

(1) Portions of the registrant's Annual Report to Shareholders for the fiscal year ended September 30, 2004 are incorporated by reference into Parts I and II hereof.

(2) Portions of the registrant's Proxy Statement for the Annual Meeting of Shareholders to be held February 1, 2005 are incorporated by reference into Part III hereof.

PART I

Item 1. *Business.*

General

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

BD is a medical technology company engaged principally in the manufacture and sale of a broad range of medical supplies, devices, laboratory equipment and diagnostic products used by healthcare institutions, life science researchers, clinical laboratories, industry and the general public.

Business Segments

BD's operations consist of three worldwide business segments: BD Medical, BD Diagnostics and BD Biosciences. Information with respect to BD's business segments is included in note 16 to the consolidated financial statements contained in the portions of BD's Annual Report to Shareholders for the fiscal year ended September 30, 2004 attached hereto as Exhibit 13, and is incorporated herein by reference.

BD Medical Segment

BD Medical produces a broad array of medical devices that are used in a wide range of healthcare settings. They include many safety-engineered injection, infusion and surgery products. The primary markets served by BD Medical are hospitals and clinics; physicians' office practices; consumers and retail pharmacies; public health agencies; pharmaceutical companies; and healthcare workers. BD Medical's principal product lines include needles and syringes for medication delivery; intravenous catheters and infusion therapy products; insulin injection devices and blood glucose monitors for people with diabetes; surgical blades and regional anesthesia needles; ophthalmic surgery devices; sharps disposal containers; and home healthcare products.

BD Diagnostics Segment

BD Diagnostics provides products for the safe collection and transport of diagnostic specimens, and instrumentation for analysis for a broad range of microbiology and infectious disease testing. BD Diagnostics serves hospitals, laboratories and clinics; reference laboratories; blood banks; healthcare workers; patients; physicians' office practices; and industrial microbiology laboratories. BD Diagnostics' principal products and services are integrated systems for evacuated blood collection; an extensive line of safety-engineered specimen collection products and systems; plated media; automated blood culturing and molecular testing systems; microorganism identification and drug susceptibility systems; and healthcare consulting.

BD Biosciences Segment

BD Biosciences produces research and clinical tools that facilitate the study of cells, and the components of cells, to gain a better understanding of normal and disease processes. That information is used to aid the discovery and development of new drugs and vaccines, and to improve the diagnosis and management of diseases. The primary markets served by BD Biosciences are research and clinical laboratories; hospitals and transplant centers; blood banks; and biotechnology and pharmaceutical companies. BD Biosciences' principal product lines include fluorescence activated cell sorters and analyzers; cell imaging systems, monoclonal antibodies and kits; reagent systems for life sciences research; products to aid in drug discovery and growth of tissue cells; and diagnostic assays.

Acquisition of Business

In July 2004, BD acquired Atto Bioscience, Inc. ("Atto"), a privately-held company specializing in optical instrumentation, software and reagents for real-time analysis of interactions taking place in living cells. Atto is

reported in the Immunocytometry Systems unit of BD Biosciences. The operating results of Atto, from its date of acquisition, are reflected in the consolidated financial statements incorporated herein by reference.

Discontinued Operations

In September 2004, the Company's Board of Directors approved a plan to sell the Clontech unit of the BD Biosciences segment ("Clontech"). Clontech's results of operations are reported as Discontinued Operations for all periods presented in the financial statements incorporated herein by reference as part of Exhibit 13.

International Operations

BD's products are manufactured and sold worldwide. BD's operations outside the United States are conducted in Canada and in five geographic regions: Europe (including the Middle East and Africa); Japan; Asia Pacific (which includes Australia and all of Asia except Japan); South Latin America (which includes Brazil); and North Latin America (which includes Mexico). The principal products sold by BD outside of the United States are hypodermic needles and syringes, insulin syringes and pen needles, diagnostic systems, BD Vacutainer™ brand blood collection products, BD Hypak™ brand prefillable syringe systems, infusion therapy products, flow cytometry analyzers and sorters, and disposable laboratory products. BD has manufacturing operations outside the United States in Brazil, China, France, Germany, India, Ireland, Japan, Korea, Mexico, Pakistan, Singapore, Spain, Sweden and the United Kingdom. Geographic information with respect to BD's operations is included under the heading "Geographic Information" in note 16 to the consolidated financial statements included in Exhibit 13, and is incorporated herein by reference.

Foreign economic conditions and exchange rate fluctuations have caused the profitability related to foreign revenues to fluctuate more than the profitability related to domestic revenues. BD believes its activities in some countries outside the United States involve greater risk than its domestic business due to the foregoing factors, as well as local commercial and economic policies and political uncertainties.

Revenues and Distribution

BD's products and services are marketed in the U.S. and internationally through sales representatives and independent distribution channels, and directly to end-users. Sales to a single U.S. distributor that supplies products from the BD Medical and BD Diagnostics segments to many end-users, accounted for approximately 11% of total BD revenues in fiscal 2004. However, the end-users of BD's products have access to them through other distributors, and as a result, BD believes that sales to this distributor would be replaced largely, if not entirely, by other sales if BD no longer sold products to this distributor. Order backlog is not material to BD's business inasmuch as orders for BD products generally are received and filled on a current basis, except for items temporarily out of stock. BD's worldwide sales are not generally seasonal, although an incidence of the influenza virus can affect demand for certain medical devices in the BD Medical segment and respiratory and flu diagnostic products of the BD Diagnostics segment in various countries.

Revenues on the sale of certain instruments in the BD Biosciences segment are recognized upon completion of installation of the instrument at the customer's site. In other instances in the BD Biosciences segment, where the sales agreement provides for multiple deliverables, revenue is recognized at the completion of each deliverable. Substantially all other revenue is recognized when products are shipped and title passes to customers. BD provides rebates to distributors that sell to end-user customers at prices determined under a contract between BD and the end-user customer or distributor. BD estimates the amount of the rebate that will be paid, and records the liability as a reduction of revenues when BD records the sale of the product.

Raw Materials

BD purchases many different types of raw materials, including plastics, glass, metals, yarn and yarn goods, paper products, agricultural products, electronic and mechanical sub-assemblies and various biological, chemical and petrochemical products. While all but a few of BD's principal raw materials are available from multiple sources, for various reasons (e.g., quality assurance and cost effectiveness), BD elects to purchase certain raw materials from sole suppliers. However, certain raw materials (primarily related to the BD Biosciences segment) are not available from multiple sources. In other cases where there are regulatory requirements relating to

qualification of suppliers, BD may not be able to establish additional or replacement sources on a timely basis. While BD works closely with its suppliers to ensure continuity of supply, the termination, reduction or interruption in supply of these sole-sourced raw materials could impact our ability to manufacture and sell certain of our products.

Research and Development

BD conducts its research and development activities at its operating units and at BD Technologies in Research Triangle Park, North Carolina. Substantially all of BD's research and development activities are conducted in the U.S. BD also collaborates with certain universities, medical centers and other entities on research and development programs. BD also retains individual consultants to support its efforts in specialized fields. BD spent approximately $236 million, $224 million and $207 million on research and development during the fiscal years ended September 30, 2004, 2003 and 2002, respectively.

Intellectual Property and Licenses

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

Competition

BD operates in the increasingly complex and challenging medical technology marketplace whose dynamics are changing. Technological advances and scientific discoveries have accelerated the pace of change in medical technology, and regulation of increasingly more sophisticated and complex medical products is increasing. Companies of varying sizes compete in the global medical technology field. Some are more specialized than BD with respect to particular markets, and some have greater financial resources than BD. New companies have entered the field, particularly in the areas of safety-engineered devices and in the life sciences, and established companies have diversified their business activities into the medical technology area. Other firms engaged in the distribution of medical technology products have become manufacturers of medical devices and instruments as well. Acquisitions and collaborations by and among other companies seeking a competitive advantage also affect the competitive environment.

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

Third-Party Reimbursement

Healthcare providers and/or facilities are generally reimbursed for their services through numerous payment systems designed by governmental agencies (e.g., Medicare and Medicaid in the U.S., NHS in the U.K., MHLW in Japan), private insurance companies, and managed care programs. The manner and level of reimbursement in any given case typically depends on the procedure(s) performed, the final patient diagnosis or the device(s) and/or drug(s) utilized, or a combination of these factors, and coverage and payment levels are determined at the payer's discretion. The coverage policies and reimbursement levels of third-party payers may impact the decisions of healthcare providers and facilities regarding which medical products they purchase and the prices they are willing to pay for those products. Thus, changes in reimbursement level or method may either positively or negatively impact sales of BD products. While BD is actively engaged in promoting the value of its products for payers and patients and it employs various efforts and resources to identify and address reimbursement

issues and minimize negative outcomes in this regard, it has no control over payer decision-making with respect to coverage and adequate payment level for BD products.

As BD's product offerings are diverse across many healthcare settings, they are affected to varying degrees by the many payment systems. Therefore, BD does not believe that significant changes to any one of these systems, while potentially impacting individual product lines or classes, would have a material adverse effect on BD.

Regulation

BD's medical technology products and operations are subject to regulation by the U.S. Food and Drug Administration ("FDA") and various other federal and state agencies, as well as by a number of foreign governmental agencies. These agencies enforce laws and regulations that govern the development, testing, manufacturing, labeling, advertising, marketing and distribution, and market surveillance of medical products of the type manufactured by BD. The scope of the activities of these agencies, particularly in the Europe, Japan and Asia Pacific regions in which BD operates, has been increasing.

Prior to marketing or selling most of its products, BD must secure approval from the FDA and counterpart non-U.S. regulatory agencies. Following the introduction of a product, these agencies engage in an ongoing review of BD's manufacturing processes and product performance. These regulatory controls can affect the time and cost associated with the development, introduction and continued availability of new products. Where possible, BD anticipates these factors in its product development and planning processes.

These agencies possess the authority to take various administrative and legal actions against BD, such as product recalls, product seizures and other civil and criminal sanctions. From time-to-time, BD has undertaken voluntary compliance actions such as voluntary recalls.

BD believes it is in compliance in all material respects with the regulations promulgated by such agencies, and that such compliance has not had, and BD believes, should not have, a material adverse effect on BD. BD also believes that its operations comply in all material respects with applicable environmental laws and regulations. Such compliance has not had, and, BD believes, should not have, a material adverse effect on BD. See Item 3. Legal Proceedings—Environmental Matters.

Employees

As of September 30, 2004, BD had 25,005 employees, of whom 11,441 were employed in the United States (including Puerto Rico). BD believes that its employee relations are satisfactory.

Available Information

BD maintains a website at www.bd.com. BD makes available its Annual Reports on Form 10-K, its Quarterly Reports on Form 10-Q, and its Current Reports on Form 8-K (and amendments to those reports) as soon as reasonably practicable after those reports are electronically filed with or furnished to the Securities and Exchange Commission. These filings may be found at www.bd.com/investors. Printed copies of the foregoing documents may also be obtained, without charge, by contacting: Investor Relations, Becton, Dickinson and Company, 1 Becton Drive, Franklin Lakes, New Jersey 07417-1880, phone: 1-800-284-6845.

CAUTIONARY STATEMENT PURSUANT TO PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995—"SAFE HARBOR" FOR FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 (the "Act") provides a safe harbor for forward-looking statements made by or on behalf of BD. BD and its representatives may from time to time make certain forward-looking statements in publicly-released materials, both written and oral, including statements contained in this report and filings with the Securities and Exchange Commission and in our other reports to shareowners. Forward-looking statements may be identified by the use of words like "plan," "expect," "believe," "intend," "will," "anticipate," "estimate" and other words of similar meaning in conjunction with, among other things, discussions of future operations and financial performance, as well as our strategy for growth, product development, regulatory approvals, market position and expenditures. All statements that address operating performance or events or developments that we expect or anticipate will occur in the future—including

statements relating to volume growth, sales and earnings per share growth and statements expressing views about future operating results—are forward-looking statements within the meaning of the Act.

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

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

- Regional, national and foreign economic factors, including inflation and fluctuations in interest rates and foreign currency exchange rates and the potential effect of such fluctuations on revenues, expenses and resulting margins.

- Competitive product and pricing pressures and our ability to gain or maintain market share in the global market as a result of actions by competitors, including technological advances achieved and patents attained by competitors as patents on our products expire. While we believe our opportunities for sustained, profitable growth are considerable, the actions of competitors could impact our earnings, sales and volume growth.

- Changes in domestic and foreign healthcare resulting in pricing pressures, including the continued consolidation among healthcare providers; trends toward managed care and healthcare cost containment; and government laws and regulations relating to sales and promotion, reimbursement and pricing generally.

- The effects, if any, of governmental and media activities relating to U.S. Congressional hearings regarding the business practices of group purchasing organizations, which negotiate product prices on behalf of their member hospitals with BD and other suppliers, including the enactment of any laws or regulations as a result.

- Fluctuations in the cost and availability of raw materials and the ability to maintain favorable supplier arrangements and relationships.

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

- Adoption of or changes in government laws and regulations affecting domestic and foreign operations, including those relating to trade, monetary and fiscal policies, taxation, environmental matters, sales practices, price controls, licensing and regulatory approval of new products, or changes in enforcement practices with respect to any such laws and regulations.

- Difficulties inherent in product development, including the potential inability to successfully continue technological innovation, complete clinical trials, obtain regulatory approvals in the United States and abroad, or gain and maintain market approval of products, as well as the possibility of encountering infringement claims by competitors with respect to patent or other intellectual property rights, all of which can preclude or delay commercialization of a product.

- Pending and potential litigation or other proceedings adverse to BD, including product liability claims, patent infringement claims and antitrust claims, as well as other risks and uncertainties detailed from time to time in our Securities and Exchange Commission filings.

- The effects, if any, of adverse media exposure or other publicity regarding BD's business or operations.

- Our ability to achieve earnings forecasts, which are generated based on projected volumes and sales of many product types, some of which are more profitable than others. There can be no assurance that we will achieve the projected level or mix of product sales.

- The effect of market fluctuations on the value of assets in BD's pension plans and the possibility that BD may need to make additional contributions to the plans as a result of any decline in the value of such assets.

- Our ability to effect infrastructure enhancements and incorporate new systems technologies into our operations.

- Product efficacy or safety concerns resulting in product recalls, regulatory action on the part of the Federal Food and Drug Administration (or foreign counterparts) or declining sales.

- Economic and political conditions in international markets, including civil unrest, governmental changes and restrictions on the ability to transfer capital across borders.

- Our ability to penetrate developing and emerging markets, which also depends on economic and political conditions, and how well we are able to acquire or form strategic business alliances with local companies and make necessary infrastructure enhancements to production facilities, distribution networks, sales equipment and technology.

- The loss of a significant customer or customers.

- The impact of business combinations, including acquisitions and divestitures, both internally for BD and externally, in the healthcare industry.

- Our ability to successfully complete the divestiture of Clontech within the expected time frame.

- The structure of any transaction involving the divestiture of Clontech and the sales price and other terms relating thereto.

- Issuance of new or revised accounting standards by the Financial Accounting Standards Board or the Public Company Accounting Oversight Board, or other interpretive guidance by the Securities and Exchange Commission.

The foregoing list sets forth many, but not all, of the factors that could impact our ability to achieve results described in any forward-looking statements. Investors should understand that it is not possible to predict or identify all such factors and should not consider this list to be a complete statement of all potential risks and uncertainties.

Item 2. ***Properties.***

BD's executive offices are located in Franklin Lakes, New Jersey. As of November 30, 2004, BD owns and leases approximately 13,423,000 square feet of manufacturing, warehousing, administrative and research facilities throughout the world. The U.S. facilities, including Puerto Rico, comprise approximately 5,816,000 square feet of owned and 2,003,000 square feet of leased space. The international facilities comprise approximately 3,714,000 square feet of owned and 1,890,000 square feet of leased space. Sales offices and distribution centers included in the total square footage are also located throughout the world.

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

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

The U.S. facilities include facilities in Arizona, California, Colorado, Connecticut, Georgia, Illinois, Indiana, Maryland, Massachusetts, Michigan, Missouri, Nebraska, New Jersey, New York, North Carolina, South Carolina, Tennessee, Texas, Utah, Virginia, Wisconsin and Puerto Rico.

The international facilities are grouped as follows:

—Canada includes approximately 123,000 square feet of leased space.

—Europe and Eastern Europe, Middle East and Africa include facilities in Austria, Belgium, Denmark, Egypt, England, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Kenya, the Netherlands, Poland, Russia, South Africa, Spain, Sweden, Switzerland, Turkey and the United Arab Emirates, and are comprised of approximately 1,843,000 square feet of owned and 755,000 square feet of leased space.

—Latin America includes facilities in Argentina, Bolivia, Brazil, Chile, Colombia, Guatemala, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela, and is comprised of approximately 776,000 square feet of owned and 700,000 square feet of leased space.

—Asia Pacific includes facilities in Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Pakistan, the Philippines, Singapore, South Korea, Taiwan, Thailand and Vietnam, and is comprised of approximately 1,095,000 square feet of owned and 312,000 square feet of leased space.

The following table summarizes property information by business segment, excluding four leased facilities related to Clontech, which are classified as Discontinued Operations. The Clontech facilities are located in Palo Alto, CA, Mountain View, CA and Japan, and contain approximately 157,000 square feet.

Category	Corporate	Biosciences	Medical	Diagnostics	Mixed(A)	Total
Leased						
Sites	2	13	106	5	23	149
Square feet	11,000	270,000	1,815,000	62,000	1,735,000	3,893,000
Manufacturing square Footage	0	15,000	335,000	15,000	0	365,000
Manufacturing sites	0	2	6	1	0	9
Owned						
Sites	2	4	25	12	6	49
Square feet	431,000	613,000	5,017,000	2,232,000	1,237,000	9,530,000
Manufacturing square Footage	0	265,000	3,092,000	1,271,000	252,000	4,880,000
Manufacturing sites	0	4	24	12	2	42
Total						
Sites	4	17	131	17	29	198
Square feet	442,000	883,000	6,832,000	2,294,000	2,972,000	13,423,000
Manufacturing square Footage	0	280,000	3,427,000	1,286,000	252,000	5,245,000
Manufacturing sites	0	6	30	13	2	51

(A) Facilities used by all business segments.

Item 3. ***Legal Proceedings.***

Litigation—Other than Environmental

In 1986, BD acquired a business that manufactured, among other things, latex surgical gloves. In 1995, BD divested this glove business. BD, along with a number of other manufacturers, has been named as a defendant in approximately 523 product liability lawsuits related to natural rubber latex that have been filed in various state and Federal courts. Cases pending in Federal court are being coordinated under the matter *In re Latex Gloves Products Liability Litigation* (MDL Docket No. 1148) in Philadelphia, and analogous procedures have been implemented in the state courts of California, Pennsylvania, New Jersey and New York. Generally, these actions allege that medical personnel have suffered allergic reactions ranging from skin irritation to anaphylaxis as a result of exposure to medical gloves containing natural rubber latex. Since the inception of this litigation, 415 of these cases have been closed with no liability to BD (411 of which were closed with prejudice, which means the cases may not be refiled against BD), and 45 cases have been settled for an aggregate *de minimis* amount. BD is vigorously defending the remaining lawsuits.

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

- In Ohio, *Grant vs. Becton Dickinson et al.* (Case No. 98CVB075616, Franklin County Court), which was filed on July 22, 1998, the Court of Appeals, by order dated June 3, 2003, reversed the trial court's granting of class certification and remanded the case for a determination of whether the class can be redefined, or the action should be dismissed. A new motion for certification of a class has been filed in the trial court and argument has been scheduled for December 28, 2004.

- In Oklahoma and South Carolina, cases have been filed on behalf of an unspecified number of healthcare workers seeking class action certification under the laws of these states in state court in Oklahoma, under the caption *Palmer vs. Becton Dickinson et al.* (Case No. CJ-98-685, Sequoyah County District Court), filed on October 27, 1998, and in state court in South Carolina, under the caption *Bales vs. Becton Dickinson et al.* (Case No. 98-CP-40-4343, Richland County Court of Common Pleas), filed on November 25, 1998.

- In Illinois, the matter of *McCaster vs. Becton Dickinson* (Case No. 04L 012544), which had previously been withdrawn without prejudice when the plaintiff failed to overturn the trial court's denial of class certification, was refiled in the Circuit Court of Cook County on November 5, 2004. This matter must be tried as an individual personal injury case in the trial court before the issue of class certification can be raised on appeal. No trial date has been set at this time.

BD continues to oppose class action certification in these cases and will continue to vigorously defend these lawsuits, including pursuing all appropriate rights of appeal.

BD has insurance policies in place, and believes that a substantial portion of potential liability, if any, in the latex and class action matters would be covered by insurance. In order to protect BD's rights to additional coverage, BD filed an action for declaratory judgment under the caption *Becton Dickinson and Company vs. Adriatic Insurance Company et al.* (Docket No. MID-L-3649-99MT, Middlesex County Superior Court) in New Jersey state court. BD has withdrawn this action, with the right to refile, so that settlement discussions with the insurance companies may proceed.

BD has established accruals to cover reasonably anticipated defense costs in all product liability lawsuits, including the needlestick class action and latex matters. With regard to the latex matters, BD recorded special charges in 2000 and 1998 of $20 million and $12 million, respectively. Based on a review of available information at that time, these charges were recorded to reflect the minimum amount within the then most probable range of current estimates of litigation defense costs. BD does not anticipate incurring significant one-time charges, similar to those recorded in 2000 and 1998, relating to the latex matters in future years.

On July 2, 2004, BD entered into an agreement to settle the lawsuit filed against it by Retractable Technologies, Inc. (“RTI”) *(Retractable Technologies, Inc. vs. Becton Dickinson and Company, et al.* (Civil Action No. 501 CV 036, United States District Court, Eastern District of Texas). Under the terms of the agreement, the suit against BD was dismissed with prejudice (which means the case may not be refiled against BD) and BD paid $100 million to RTI. In its lawsuit, RTI had alleged that BD and other defendants conspired to exclude it from the market and to maintain BD's market share by entering into long-term contracts in violation of state and Federal antitrust laws. RTI also had asserted claims for business disparagement, common law conspiracy and tortious interference with business relationships.

On November 6, 2003, a class action complaint was filed against BD in the Supreme Court of British Columbia under the caption *Danielle Cardozo, by her litigation guardian Darlene Cardozo v. Becton, Dickinson and Company* (Civil Action No. S 83059) alleging personal injury to all persons in British Columbia that received test results generated by a BD ProbeTec™ ET instrument. The complaint seeks money damages in an unspecified amount. No additional or related claims have been filed against BD. BD is vigorously defending this matter.

BD has been informed by the Civil Division of the U.S. Department of Justice (the “Civil Division”) that a private party has filed a qui tam complaint against BD alleging violations of the Federal False Claims Act (“FCA”). Qui tam is a provision of the FCA that allows private citizens to file a lawsuit in the name of the U.S. government. Under the FCA, the Civil Division has a certain period of time in which to decide whether to join the claim against BD as an additional plaintiff; if not, the private plaintiff is free to pursue the claim on its own. To BD's knowledge, no decision has yet been made by the Civil Division whether to join this claim. As of this date, no complaint has been served upon BD, and this matter is currently under seal by the Court. BD believes that its business practices have complied with all applicable laws.

On August 3, 2004, BD was served with an administrative subpoena issued by the United States Attorney's Office in Dallas, Texas (the "U.S. Attorney") in connection with an investigation which the U.S. Attorney is conducting of transactions between another company and certain of its suppliers, including BD. BD believes that its transactions with the other company have fully complied with the law and that BD is not currently a target of the investigation. BD is cooperating fully in responding to the subpoena.

On January 23, 2004, a suit was brought by C.A. Greiner & Soehne GmbH ("Greiner") against BD UK Limited in the Patent Court of the Central London County Court in London, England. The plaintiff asserts that the BD Hemogard™ cap products and the BD Vacutainer™ Plus Plastic Citrate Tubes infringe certain European patents owned by Greiner. A trial date has been set for May 9, 2005. BD believes these allegations are without merit and intends to vigorously defend this lawsuit.

On May 28, 2004, Therasense, Inc. ("Therasense") filed suit against BD in the U.S. District Court for the Northern District of California (Case Number: C 04-02123 WDB) asserting that BD's blood glucose monitoring products infringe certain Therasense patents. On August 10, 2004, in response to a motion filed by Therasense in the U.S. District Court for the District of Massachusetts, the court transferred to the court in California an action previously filed by BD against Therasense requesting a declaratory judgment that BD's products do not infringe the Therasense patents and that the Therasense patents are invalid. BD believes that Therasense's infringement allegations are without merit and intends to vigorously defend the lawsuit.

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

Given the uncertain nature of litigation generally, BD is not able to estimate the amount or range of loss that could result from an unfavorable outcome of the litigation to which BD is a party. In accordance with U.S. generally accepted accounting principles, BD establishes accruals to the extent probable future losses are estimable. While BD believes that the claims against BD are without merit and, upon resolution, should not have a material adverse effect on BD, in view of the uncertainties discussed above, BD could incur charges in excess of any currently established accruals and, to the extent available, excess liability insurance. Accordingly, in the opinion of management, any such future charges, individually or in the aggregate, could have a material adverse effect on BD's consolidated results of operations and consolidated net cash flows in the period or periods in which they are recorded or paid. BD continues to believe that it has a number of valid defenses to each of the suits pending against it and is engaged in a vigorous defense of each of these matters.

Environmental Matters

BD believes that its operations comply in all material respects with applicable laws and regulations. BD is a party to a number of Federal proceedings in the United States brought under the Comprehensive Environment Response, Compensation and Liability Act, also known as "Superfund," and similar state laws. For all sites, there are other potentially responsible parties that may be jointly or severally liable to pay all cleanup costs. BD accrues costs for estimated environmental liabilities based upon its best estimate within the range of probable losses, without considering possible third-party recoveries. While BD believes that, upon resolution, the environmental claims against BD should not have a material adverse effect on BD, BD could incur charges in excess of presently established accruals and, to the extent available, excess liability insurance. Accordingly, in the opinion of management, any such future charges, individually or in the aggregate, could have a material adverse effect on BD's consolidated results of operations and consolidated net cash flows in the period or periods in which they are recorded or paid.

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

None.

Executive Officers of the Registrant

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

Name	Age	Position
Edward J. Ludwig	53	Director since 1999; Chairman, President and Chief Executive Officer since February 2002; President and Chief Executive Officer from January 2000 to February 2002; and, prior thereto, President from May 1999 to January 2000.
Gary M. Cohen	45	President—BD Medical since May 1999; and, prior thereto, Executive Vice President from July 1998 to May 1999.
John R. Considine	54	Executive Vice President and Chief Financial Officer since June 2000; Senior Vice President, Finance of Wyeth (formerly American Home Products Corporation) from February to June 2000; and, prior thereto, Vice President, Finance of Wyeth.
Jean-Marc Dageville	45	Vice President—Human Resources since March 2001; Vice President—Human Resources, BD Medical Systems from April 2000 to March 2001; and, prior thereto, Vice President—Human Resources, Europe from July 1998 to April 2000.
Vincent A. Forlenza	51	President—BD Biosciences since March 2003; and, prior thereto, Senior Vice President—Technology, Strategy and Development from February 1999 to March 2003.
William A. Kozy	52	President—BD Diagnostics since November 2003; President—BD Clinical Laboratory Solutions and Company Operations from May 2002 to November 2003; Senior Vice President—Company Operations from November 2000 to May 2002; and, prior thereto, Senior Vice President—Manufacturing from October 1998 to November 2000.
Jeffrey S. Sherman	49	Vice President and General Counsel since January 2004; Vice President and Associate General Counsel of Wyeth from July 2001 to December 2003; and, prior thereto, in various capacities in the Wyeth Law Department.

PART II

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

BD's common stock is listed on the New York Stock Exchange. As of November 30, 2004 there were approximately 9,577 shareholders of record. On December 6, 2004, the closing price of BD common stock was $55.86. Additional information required by this item appears under the caption "Common Stock Prices and Dividends" on page 64 of Exhibit 13, and is incorporated herein by reference.

Issuer Repurchases of Equity Securities

The table below sets forth certain information regarding BD's purchases of its common stock during the fiscal quarter ended September 30, 2004.

For the Three Months Ended September 30, 2004	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Maximum Number of Shares that may yet be Purchased Under the Plans or Programs
July 1–31, 2004	451,435	$ 47.15	450,000	5,710,714
August 1–31, 2004	1,657,668	$ 47.59	1,654,000	4,056,714
September 1–30, 2004	425	$ 50.54	0	4,056,714
Total	2,109,528	$ 47.50	2,104,000	4,056,714

(1) Includes 5,528 shares purchased during the quarter in open market transactions by the trustee under the Deferred Compensation Plan and the 1996 Directors' Deferral Plan.

(2) These repurchases were made pursuant to a repurchase program for 10 million shares announced on January 27, 2004 (the "January 2004 Program"). There is no expiration date for the January 2004 Program. On November 23, 2004, the Board of Directors of BD authorized an additional repurchase program for 10 million shares.

Item 6. ***Selected Financial Data.***

The information required by this item is included under the caption "Ten-Year Summary of Selected Financial Data" on pages 22-23 of Exhibit 13 and is incorporated herein by reference.

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

The information required by this item is included in the text contained under the caption "Financial Review" on pages 24-36 of Exhibit 13 and is incorporated herein by reference.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk.***

The information required by this item is included in the text contained under the caption "Financial Instrument Market Risk" on pages 27-28 of, and in notes 1 and 10 to the consolidated financial statements contained in, Exhibit 13, and each is incorporated herein by reference.

Item 8. ***Financial Statements and Supplementary Data.***

The information required by this item is included on page 17 herein and on pages 37-63 of Exhibit 13 and is incorporated herein by reference.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.***

None.

Item 9A. ***Controls and Procedures.***

An evaluation was carried out by BD's management, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of BD's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of September 30, 2004. 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 September 30, 2004 identified in connection with the above-referenced evaluations that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***Other Information.***

On November 23, 2004, the Board of Directors amended the BD Performance Incentive Plan ("PIP") to, among other things, establish certain performance measures relating to awards issued to certain executives that are intended to constitute "qualified performance-based compensation" under Section 162(m) of the Internal Revenue Code. A copy of the PIP, as so amended, is attached to this Form 10-K as Exhibit 10(c). On such date, the Compensation and Benefits Committee of the Board of Directors established certain net income and earnings per share performance targets for awards under the PIP to certain executive officers for fiscal year 2005.

PART III

Item 10. ***Directors and Executive Officers of the Registrant.***

The information relating to directors and the Audit Committee of the BD Board of Directors required by this item will be contained under the captions "Board of Directors—Audit Committee," "Election of Directors," "Nominees for Director" and "Continuing Directors" in a definitive Proxy Statement involving the election of directors, which the registrant will file with the Securities and Exchange Commission not later than 120 days after September 30, 2004 (the "Proxy Statement"), and such information is incorporated herein by reference.

The information relating to executive officers required by this item is included herein in Part I under the caption "Executive Officers of the Registrant."

Certain other information required by this item will be contained under the captions "Section 16(a) Beneficial Ownership Reporting Compliance" and "Corporate Governance—Business Conduct and Compliance Guide" in BD's Proxy Statement, and such information is incorporated herein by reference.

Item 11. ***Executive Compensation.***

The information required by this item will be contained under the captions "Board of Directors—Directors' Compensation," "Compensation of Named Executives," "Information Regarding Long-Term Incentive Compensation for Fiscal Year 2004," "Stock Option Exercises During Fiscal Year 2004," "Retirement Plan" and "Additional Compensation Arrangements," in BD's Proxy Statement, and such information is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.***

The information required by this item will be contained under the captions "Equity Compensation Plan Information" and "Ownership of BD Stock" in BD's Proxy Statement, and such information is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions.***

The information required by this item will be contained under the caption "Board of Directors—Certain Relationships and Related Transactions" in BD's Proxy Statement, and such information is incorporated herein by reference.

Item 14. ***Principal Accounting Fees and Services.***

The information required by this item will be contained under the caption "Proposal 2. Ratification of Independent Registered Public Accounting Firm" in BD's Proxy Statement, and such information is incorporated herein by reference.

BD's independent registered public accounting firm, Ernst & Young LLP ("E&Y"), has notified the Audit Committee of the BD Board of Directors that E&Y performed certain non-audit services for BD in China and Japan that were inconsistent with standards for auditor independence under applicable auditor rules.

Specifically, E&Y disclosed to the Audit Committee that, during 2001, an affiliate of E&Y performed tax preparation services for an expatriate employee of BD located in China and paid the relevant taxes with BD funds. Custody of the funds of an audit client is not permitted under the applicable auditor independence rules. E&Y performed non-audit services of a similar nature in China with respect to approximately 100 companies, including BD, and has notified the Securities and Exchange Commission ("SEC") and the Public Company Accounting Oversight Board ("PCAOB") of the performance of these services. The fees paid to E&Y in connection with these services were less than $2,000. Similarly, E&Y disclosed to the Audit Committee that, during 2001 and 2002, E&Y also performed tax preparation services for three expatriate employees of BD located in Japan and paid the relevant taxes using BD funds. The fees paid to E&Y in connection with these services were approximately $33,000.

The Audit Committee has had discussions with E&Y regarding E&Y's independence in light of these activities. E&Y advised the Audit Committee of its conclusion that E&Y's independence is not impaired as to BD as a result of these activities, based upon, among other things, the ministerial nature of the services performed and the amount of fees involved. Although E&Y's review of its non-audit services is ongoing, BD is not aware of the performance by E&Y of any other non-audit services performed by E&Y that were inconsistent with standards for auditor independence under applicable auditor rules. In November 2004, E&Y issued its letter to BD pursuant to Rule 3600T of the PCAOB, in which it reported that it is independent under applicable SEC and PCAOB standards.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules.***

(a) *Financial Statements*

The following consolidated financial statements of BD included in Exhibit 13 at the pages indicated in parentheses, are incorporated by reference in Item 8 of this report:

- Report of Independent Registered Public Accounting Firm (page 37)
- Consolidated Statements of Income—Years ended September 30, 2004, 2003 and 2002 (page 38)
- Consolidated Statements of Comprehensive Income—Years ended September 30, 2004, 2003 and 2002 (page 39)
- Consolidated Balance Sheets—September 30, 2004 and 2003 (page 40)
- Consolidated Statements of Cash Flows—Years ended September 30, 2004, 2003 and 2002 (page 41)
- Notes to Consolidated Financial Statements (pages 42-63)

(b) *Financial Statement Schedules*

The following consolidated financial statement schedule of BD is included herein at the page indicated in parentheses:

Schedule II—Valuation and Qualifying Accounts (page 17)

All other schedules for which provision is made in the applicable accounting regulations of the Securities Exchange Act of 1934 are not required under the related instructions or are inapplicable, and therefore have been omitted.

(c) *Exhibits*

See the Exhibit Index on pages 18-21 hereof for a list of all management contracts, compensatory plans and arrangements required by this item (Exhibit Nos. 10(a)(i) through 10(q)), and all other Exhibits filed or incorporated by reference as a part of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

By: /s/ DEAN J. PARANICAS
Dean J. Paranicas
Vice President, Corporate Secretary and Public Policy

Dated: December 13, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the 13th day of December, 2004 by the following persons on behalf of the registrant and in the capacities indicated.

Name	Capacity
/s/ EDWARD J. LUDWIG **(Edward J. Ludwig)**	Chairman, President and Chief Executive Officer (Principal Executive Officer)
/s/ JOHN R. CONSIDINE **(John R. Considine)**	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ WILLIAM A. TOZZI **(William A. Tozzi)**	Vice President and Controller (Principal Accounting Officer)
/s/ BASIL L. ANDERSON **(Basil L. Anderson)**	Director
/s/ HARRY N. BEATY, M.D. **(Harry N. Beaty, M.D.)**	Director
/s/ HENRY P. BECTON, JR. **(Henry P. Becton, Jr.)**	Director
/s/ EDWARD F. DEGRAAN **(Edward F. DeGraan)**	Director
/s/ FRANK A. OLSON **(Frank A. Olson)**	Director
/s/ JAMES F. ORR **(James F. Orr)**	Director

Name	Capacity
/s/ WILLARD J. OVERLOCK, JR.	Director
(Willard J. Overlock, Jr.)	
/s/ JAMES E. PERRELLA	Director
(James E. Perrella)	
/s/ BERTRAM L. SCOTT	Director
(Bertram L. Scott)	
/s/ ALFRED SOMMER	Director
(Alfred Sommer)	
/s/ MARGARETHA AF UGGLAS	Director
(Margaretha af Ugglas)	

SCHEDULE II

BECTON, DICKINSON AND COMPANY
VALUATION AND QUALIFYING ACCOUNTS
Years Ended September 30, 2004, 2003 and 2002
(Thousands of dollars)

Col. A	Col. B	Col. C	Col. D	Col. E
Description	**Balance at Beginning of Period**	**Additions Charged To Costs and Expenses**	**Deductions**	**Balance at End of Period**
2004(A)				
Against trade receivables:				
For doubtful accounts	$ 32,672	$ 4,863	$ 126(B)	$ 37,409
For cash discounts	14,321	22,978	22,347	14,952
Total	$ 46,993	$ 27,841	$ 22,473	$ 52,361
2003(A)				
Against trade receivables:				
For doubtful accounts	$ 27,300	$ 8,246	$ 2,874(B)	$ 32,672
For cash discounts	10,508	27,273	23,460	14,321
Total	$ 37,808	$ 35,519	$ 26,334	$ 46,993
2002(A)				
Against trade receivables:				
For doubtful accounts	$ 29,544	$ 3,354	$ 5,598(B)	$ 27,300
For cash discounts	12,544	22,596	24,632	10,508
Total	$ 42,088	$ 25,950	$ 30,230	$ 37,808

(A) Restated to reflect amounts from continuing operations. See Note 18 in the Notes to Consolidated Financial Statements.
(B) Accounts written off.

EXHIBIT INDEX

Exhibit Number	Description	Method of Filing
3(a)(i)	Restated Certificate of Incorporation, as amended January 22, 1990	Incorporated by reference to Exhibit 3(a) to the registrant's Annual Report on Form 10-K for fiscal year ended September 30, 1990
3(a)(ii)	Amendment to the Restated Certificate of Incorporation, as of August 5, 1996	Incorporated by reference to Exhibit 3(a) to the registrant's Quarterly Report on Form 10-Q for the period ended June 30, 1996
3(a)(iii)	Amendment to the Restated Certificate of Incorporation, as of August 10, 1998	Incorporated by reference to Exhibit 3(b) to the registrant's Quarterly Report on Form 10-Q for the period ended June 30, 1998
3(b)	By-Laws, as amended and restated as of July 27, 2004	Incorporated by reference to Exhibit 3 to the registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2004
4(a)	Indenture, dated as of December 1, 1982 between the registrant and Manufacturers Hanover Trust Company (now JPMorgan Chase Bank)	Incorporated by reference to Exhibit 4 to Registration Statement No. 2-80707 on Form S-3 filed by the registrant
4(b)	First Supplemental Indenture, dated as of May 15, 1986, between the registrant and Manufacturers Hanover Trust Company (now JPMorgan Chase Bank)	Incorporated by reference to Exhibit 4(b) to Registration Statement No. 33-5663 on Form S-3 filed by the registrant
4(c)	Second Supplemental Indenture, dated as of January 10, 1995, between the registrant and Manufacturers Hanover Trust Company (now JPMorgan Chase Bank)	Incorporated by reference to Exhibit 4 to Registration Statement No. 2-80707 on Form S-3 filed by the registrant
4(d)	Indenture, dated as of March 1, 1997, between the registrant and The Chase Manhattan Bank (now JPMorgan Chase Bank)	Incorporated by reference to Exhibit 4(a) to Form 8-K filed by the registrant on July 31, 1997 (the registrant hereby agrees to furnish to the Commission upon request a copy of any other instruments which define the rights of holders on long-term debt of the registrant)
4(e)(i)	Rights Agreement, dated November 28, 1995, as amended and restated as of March 28, 2000, between the registrant and EquiServe Trust Company, N.A., which includes as thereto, the Form of Right Certificate, and as Exhibit B thereto, the Summary of Rights to Purchase Preferred Stock (the “Amended and Restated Rights Agreement”)	Incorporated by reference to Exhibit 4(e)(i) to the registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2000
4(e)(ii)	Amendment No. 1 to the Amended and Restated Rights Agreement, dated as of April 24, 2000	Incorporated by reference to Exhibit 4(e)(ii) to the registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2000
10(a)(i)	Form of Employment Agreement providing for certain payments to executive officers in the event of a discharge or significant change in such officers' respective duties after a change of control of the registrant	Incorporated by reference to Exhibit 10(b)(i) to the registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2000

Exhibit Number	Description	Method of Filing
10(a)(ii)	Form of Employment Agreement providing for certain payments to corporate officers in the event of a discharge or significant change in such officers' respective duties after a change of control of the registrant	Incorporated by reference to Exhibit 10(b)(ii) to the registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2000
10(b)	Stock Award Plan, as amended and restated as of May 25, 2004	Incorporated by refence to Exhibit 10(c) to the registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2004
10(c)	Performance Incentive Plan, as amended and restated November 23, 2004	Filed with this report
10(d)	Deferred Compensation Plan, as amended and restated as of March 22, 2004	Incorporated by reference to Exhibit 10(b) to the registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2004
10(e)	1996 Directors' Deferral Plan, as amended as of May 25, 2004	Incorporated by reference to Exhibit 10(a) of the registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2004
10(f)(i)	1990 Stock Option Plan, as amended and restated February 8, 1994	Incorporated by reference to Exhibit 10(i) to the registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1994
10(f)(ii)	Amendment dated as of April 24, 2000 to the 1990 Stock Option Plan, as amended and restated February 8, 1994	Incorporated by reference to Exhibit 10(h) to the registrant's Quarterly Report on Form 10-K for the period ended June 30, 2000
10(g)(i)	Retirement Benefit Restoration Plan, as amended and restated as of November 27, 2000	Incorporated by reference to Exhibit 10(i)(i) to the registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2000
10(g)(ii)	Amendment to the Retirement Benefit Restoration Plan dated October 16, 2001	Incorporated by reference to Exhibit 10(i)(ii) to the registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2001
10(g)(iii)	Employee Participation Agreement dated November 27, 2000 between the registrant and John R. Considine	Incorporated by reference to Exhibit 10(i)(iii) to the registrant's Annual Report on Form 10-K for the period ended September 30, 2000
10(g)(iv)	Agreement dated December 18, 2000 between the registrant and John R. Considine	Incorporated by reference to Exhibit 10(i)(iv) to the registrant's Annual Report on Form 10-K for the period ended September 30, 2000
10(h)(i)	1994 Restricted Stock Plan for Non- Employee Directors	Incorporated by reference to Exhibit A to the registrant's Proxy Statement dated January 5, 1994
10(h)(ii)	Amendment to the 1994 Restricted Stock Plan for Non-Employee Directors as of November 26, 1996	Incorporated by reference to Exhibit 10(j)(ii) to the registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1996
10(i)(i)	1995 Stock Option Plan, as amended and restated January 27, 1998	Incorporated by reference to Exhibit 10(k) to the registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1998

Exhibit Number	Description	Method of Filing
10(i)(ii)	Amendments dated as of April 24, 2000 to the 1995 Stock Option Plan, as amended and restated January 27, 1998	Incorporated by reference to Exhibit 10(k) to the registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2000
10(j)(i)	1998 Stock Option Plan	Incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q/A for the period ended March 31, 1998
10(j)(ii)	Amendments dated as of April 24, 2000 to the 1998 Stock Option Plan	Incorporated by reference to Exhibit 10(l) to the registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2000
10(k)	Australian, French and Spanish addenda to the Becton, Dickinson and Company Stock Option Plans	Incorporated by reference to Exhibit 10(m) to the registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1998
10(l)	Indian addendum to the Becton, Dickinson and Company Stock Option Plans	Incorporated by reference to Exhibit 10(n) to registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1999
10(m)	China and Japan addenda to Becton, Dickinson and Company Stock Option Plans	Incorporated by reference to Exhibit 10(n)(i) to registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2002
10(n)(i)	Non-Employee Directors 2000 Stock Option Plan	Incorporated by reference to Exhibit 10(o) to the registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2000
10(n)(ii)	Amendments dated as of April 24, 2000 to the Non-Employee Directors 2000 Stock Option Plan	Incorporated by reference to Exhibit 10(o) to the registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2000
10(o)	2002 Stock Option Plan	Incorporated by reference to Appendix A to the registrant's Proxy Statement dated January 2, 2002
10(p)	2004 Employee and Director Equity-Based Compensation Plan, as amended and restated as of March 23, 2004	Incorporated by reference to Exhibit 10 to the registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2004
10(q)	Terms of Awards under 2004 Employee and Director Equity-Based Compensation Plan	Incorporated by reference to Exhibit A of the registrant's Current Report on Form 8-K dated November 23, 2004
10(r)	Amended and Restated Five-Year Credit Agreement, dated as of August 13, 2004 among the registrant and the banks named therein	Incorporated by reference to Exhibit 10(d) of the registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2004
13	Portions of the registrant's Annual Report to Shareholders for fiscal year 2004	Filed with this report
18	Letter re: Change in Accounting Principle	Incorporated by reference to Exhibit 18 of the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2003
21	Subsidiaries of the registrant	Filed with this report
23	Consent of independent registered public accounting firm	Filed with this report

Exhibit Number	Description	Method of Filing
31	Certifications of Chief Executive Officer and Chief Financial Officer, pursuant to SEC Rule 13(a)-14(a)	Filed with this report
32	Certifications of Chief Executive Officer and Chief Financial Officer, pursuant to Section 1350 of Chapter 63 of Title 18 of the U.S. Code	Filed with this report

Copies of any Exhibits not accompanying this Form 10-K are available at a charge of 25 cents per page by contacting: Investor Relations, Becton, Dickinson and Company, 1 Becton Drive, Franklin Lakes, New Jersey 07417-1880, Phone: 1-800-284-6845.

BECTON, DICKINSON AND COMPANY
PERFORMANCE INCENTIVE PLAN
AMENDED AND RESTATED NOVEMBER 23, 2004

PURPOSE

The purpose of the Performance Incentive Plan (the "Plan") is to provide annual incentive payments to management for their contribution to the Company's successful financial performance and the accomplishment of strategic objectives.

NOTWITHSTANDING ANYTHING IN THIS PLAN TO THE CONTRARY, THE PAYMENT OF ANNUAL INCENTIVES, IF ANY, IS SOLELY WITHIN THE DISCRETION OF THE PERFORMANCE INCENTIVE COMMITTEE, EXCEPT THAT PAYMENT IN EXCESS OF THE PLAN GUIDELINES WILL NOT BE MADE. NO EMPLOYEE HAS ANY VESTED RIGHT TO ANY SUCH PAYMENT.

PERFORMANCE INCENTIVE COMMITTEE

The Performance Incentive Committee will be responsible for administering this Plan. The Performance Incentive Committee will consist of no less than three persons, including the President and Chief Executive Officer and such other senior executives as are designated from time to time by the President and Chief Executive Officer.

ELIGIBILITY

Participation in any particular fiscal year is restricted to employees of the Company and its worldwide subsidiaries in exempt (or management) Job Group 4 and above positions (other than those covered under certain non-United States incentive plans or sales incentive plans) and other key management positions as may be approved by the Performance Incentive Committee. Current employees promoted to, and persons newly hired to, eligible positions during a particular fiscal year may be considered for a pro-rata bonus. Persons employed by companies acquired by the Company which have pre-existing executive incentive, profit sharing or similar programs will not participate in this Plan until and unless those plans are superseded by this Plan.

PARTICIPATION LEVELS

Plan targets for eligible employees are determined based upon base salary or title and reporting relationships of the participant and the scope and responsibilities of the position. Targets may range from 3% to 120% of base salary.

INCENTIVE CALCULATION

Incentive payments shall be made under the Plan based upon total company, business unit and individual performance, as measured against certain financial and strategic criteria and targets established from time to time by the Compensation and Benefits Committee of the Board of Directors (the "Compensation Committee").

Incentive payments made to a member of the Executive Group shall, if the Compensation Committee intends that such payment should constitute "qualified performance-based compensation" for purposes of Section 162(m) of the Internal Revenue Code of 1986 (the "Code"), be made in accordance with a pre-established formula, such that such payment is subject to the achievement during a performance period or periods, as determined by the Compensation Committee, of a level or levels, as determined by the Compensation Committee, of one or more of the following performance measures: (i) Return on Net Assets, (ii) Revenue Growth, (iii) Return on Common Equity, (iv) Total Shareholder Return, (v) Earnings Per Share, (vi) Net Revenue Per Employee, (vii) Market Share, (viii) Return on Invested Capital, or (ix) Net Income. Any such award of performance-based compensation granted to a member of the Executive Group pursuant to any such pre-established formula with respect to a fiscal year (a "Performance Award") shall not exceed $3,000,000.

For purposes of this Plan:

"Earnings Per Share" shall mean earnings per share calculated in accordance with U.S. Generally Accepted Accounting Principles.

"Executive Group" shall mean every person who is expected by the Committee to be both (i) a "covered employee" as defined in Section 162(m) of the Code as of the end of the taxable year in which payment of the Award may be deducted by the Company, and (ii) the recipient of compensation of more than $1,000,000 for that taxable year.

"Market Share" shall mean the percent of sales of the total available market in an industry, product line or product attained by the Company or one of its business units during a time period.

"Net Income" shall mean net income calculated in accordance with U.S. Generally Accepted Accounting Principles.

"Net Revenue Per Employee" in a period shall mean net revenue divided by the average number of employees of the Company, with average defined as the sum of the number of employees at the beginning and ending of the period divided by two.

"Return On Common Equity" for a period shall mean net income less preferred stock dividends divided by total shareholders' equity, less amounts, if any, attributable to preferred stock.

"Return on Invested Capital" for a period shall mean earnings before interest, taxes, depreciation and amortization divided by the difference of total assets less non-interest bearing current liabilities.

"Return On Net Assets" for a period shall mean net income less preferred stock dividends divided by the difference of average total assets less average non-debt liabilities, with average defined as the sum of assets or liabilities at the beginning and ending of the period divided by two.

"Revenue Growth" shall mean the percentage change in revenue (as defined in Statement of Financial Accounting Concepts No. 6, published by the Financial Accounting Standards Board) from one period to another.

"Total Shareholder Return" shall mean the sum of the appreciation in the Company's stock price and dividends paid on the common stock of the Company over a given period of time.

The Compensation Committee or Board may not increase the amount of any Performance Award, or adjust the formula during the year, except to make adjustments for business dispositions or acquisitions, using adjustment factors that are specified in the terms of the Performance Award. The Compensation Committee reserves the right, however, in its discretion to make incentive awards to members of the Executive Group other than Performance Awards.

POOL FACTOR SCALES AND MULTIPLIERS

Funding levels for incentive payments shall be determined based on company performance as measured against the performance targets in accordance with the formula established on an annual basis by the Compensation Committee. Funding levels are adjusted both upwards (for performance above target, up to a maximum score of 150% of target) and downwards (for performance below target).

DETERMINATION OF INCENTIVE POOLS

(a) Theoretical Incentive

On or about October 15th following the close of each fiscal year, business unit heads and corporate officers will be provided with a list of approved participants for their unit, region or function for whom that unit, region or function has, during the course of the prior fiscal year, accrued a hypothetical incentive pool at 100% of target.

(b) Performance Ratings

On or about October 25th following the close of each fiscal year, the Performance Incentive Committee will determine the final unit, region, function and company performance ratings used to determine incentive factors for the fiscal year. The incentive pool for a unit, region or function is determined by applying the incentive factors determined according to the methodology approved by the Compensation and Benefits Committee to the hypothetical accrued incentive pool.

INCENTIVE PAYMENT FACTORS

Incentive payment factors will be established as a composite of total company and business unit performance ratings.

(a) Communication

The operating unit and corporate ratings will be communicated to business unit heads and corporate functions by the President and Chief Executive Officer.

(b) Incentive Payment Recommendations

The Business Unit Heads and Corporate Officers will apply the final unit factors to the individual incentive targets to develop the recommended incentive amounts. They will have discretion to recommend incentives that differ from these amounts; provided that no individual may receive an incentive payment in excess of 200% of the amount derived after the application of the unit factors without the further approval of the Compensation Committee; and provided further that no member of the Executive Group may receive an incentive payment in excess of the amount calculated pursuant to the pre-established formula established by the Compensation and Benefits Committee, to the extent such payment is intended to constitute "qualified performance-based compensation" for purposes of Section 162(m) of the Code.

FINAL REVIEW AND APPROVAL

The recommendations for all incentive payments will be reviewed and approved by the business unit heads and executive officers, and Chief Executive Officer for their respective areas of responsibility. In the case of executive officers and other members of the BD Leadership Team that report to the Chief Executive Officer, recommendations will be subject to final review and approval by the Compensation Committee (and, in the case of the Chief Executive Officer, the Board of Directors).

(a) Maximum Payout Guideline

Total incentive awards to executive officers may not, barring special circumstances, exceed 3% of the Company's after-tax net income, as reported, for the fiscal year.

(b) Payment

Incentives will normally be paid in January of the calendar year following the year in which they are awarded. Except in cases of death, disability or retirement, no incentive payments will be made to individuals who are not active employees on the final day of the fiscal year. Employees who are terminated for cause prior to the distribution date will forfeit their incentives.

Incentives awarded to any employee who dies prior to the distribution date may be made, at the discretion of management, to the survivors of the employee.

(c) Exceptions

Any recommendations for exceptions to the provisions of the Plan must be submitted to the Performance Incentive Committee for review and are subject to final approval by the Chief Executive Officer. Any exceptions applicable to executive officers are further subject to approval by the Compensation and Benefits Committee of the Board of Directors and the terms of this Plan.

Ten-Year Summary of Selected Financial Data
Years Ended September 30
Dollars in millions, except per-share amounts

	2004	2003	2002	2001
Operations				
Revenues	$ 4,934.7	$ 4,463.5	$ 3,960.4	$ 3,667.6
Research and Development Expense	235.6	224.2	207.2	199.6
Operating Income	787.3	761.2	674.5	632.5
Interest Expense, Net	29.6	36.5	33.2	55.3
Income From Continuing Operations Before Income Taxes	752.9	722.0	627.5	535.2(C)
Income Tax Provision	170.4	167.0	148.1	134.2
Net Income	467.4	547.1	480.0	401.7(A)
Basic Earnings Per Share	1.85	2.14	1.85	1.55(A)
Diluted Earnings Per Share	1.77	2.07	1.79	1.49(A)
Dividends Per Common Share	.60	.40	.39	.38
Financial Position				
Current Assets	$ 2,641.3	$ 2,503.5	$ 2,091.4(E)	$ 1,930.1(E)
Current Liabilities	1,050.1	1,059.4	1,271.5(E)	1,285.4(E)
Property, Plant and Equipment, Net	1,881.0	1,831.8	1,750.4	1,701.3
Total Assets	5,752.6	5,572.3	5,029.0(E)	4,790.8(E)
Long-Term Debt	1,171.5	1,184.0	803.0	782.8
Shareholders' Equity	3,067.9	2,897.0	2,480.9(E)	2,321.7(E)
Book Value Per Common Share	12.30	11.54	9.71(E)	8.96(E)
Financial Relationships				
Gross Profit Margin	49.3%	48.5%	48.3%	48.7%
Return on Revenues(F)	11.8%	12.4%	12.1%	11.9%(C)
Return on Total Assets(B) (F)	14.1%	14.4%	13.6%(E)	13.6%(E)
Return on Equity(F)	19.5%	20.6%	20.0%(E)	20.3%(C)(E)
Debt to Capitalization(D) (F)	28.1%	30.5%	32.7%(E)	34.0%(E)
Additional Data				
Number of Employees	25,000	24,800	25,200	24,800
Number of Shareholders	9,654	9,868	10,050	10,329
Average Common and Common Equivalent Shares Outstanding– Assuming Dilution (millions)	263.3	263.6	268.2	268.8
Depreciation and Amortization	$ 357.2	$ 335.8	$ 296.6	$ 293.2
Capital Expenditures	265.7	259.2	255.7	364.1

(A) Includes cumulative effect of accounting change of $36.8 ($.14 per basic and diluted share).

(B) Earnings before interest expense, taxes and cumulative effect of accounting changes as a percent of average total assets.

(C) Excludes the cumulative effect of accounting changes.

(D) Total debt as a percent of the sum of total debt, shareholders' equity and net non-current deferred income tax liabilities.

(E) Restated to reflect the change from the LIFO to FIFO inventory valuation method in 2003.

(F) Excludes discontinued operations in 1999 to 2004.

2000	1999	1998	1997	1996	1995
$ 3,544.7	$ 3,412.6	$ 3,116.9	$ 2,810.5	$ 2,769.8	$ 2,712.5
212.8	220.7	217.9	180.6	154.2	144.2
507.4	477.3	405.4	450.5	431.2	396.7
74.2	72.0	56.3	39.4	37.4	42.8
512.7	404.8	340.9	422.6	393.7	349.6
122.0	96.9	104.3	122.6	110.2	97.9
392.9	275.7	236.6	300.1	283.4	251.7
1.54	1.09	.95	1.21	1.10	.92
1.49	1.04	.90	1.15	1.05	.89
.37	.34	.29	.26	.23	.21
$ 1,847.6	$ 1,843.0	$ 1,542.8	$ 1,312.6	$ 1,276.8	$ 1,327.5
1,382.4	1,358.6	1,091.9	678.2	766.1	720.0
1,565.5	1,423.9	1,302.7	1,250.7	1,244.1	1,281.0
4,505.1	4,437.0	3,846.0	3,080.3	2,889.8	2,999.5
778.5	954.0	765.2	665.4	468.2	557.6
1,956.0	1,768.7	1,613.8	1,385.4	1,325.2	1,398.4
7.72	7.05	6.51	5.68	5.36	5.37
48.6%	49.9%	50.6%	49.7%	48.4%	47.0%
11.0%	9.0%	7.6%	10.7%	10.2%	9.3%
13.4%	11.6%	11.7%	15.9%	15.2%	13.3%
21.0%	18.2%	15.8%	22.1%	20.8%	17.5%
41.7%	47.6%	41.4%	36.3%	34.3%	35.2%
25,000	24,000	21,700	18,900	17,900	18,100
10,822	11,433	9,784	8,944	8,027	7,712
263.2	264.6	262.1	259.6	267.6	280.4
$ 273.7	$ 257.8	$ 228.7	$ 209.8	$ 200.5	$ 207.8
371.0	311.4	181.4	170.3	145.9	123.8

Financial Review

Company Overview

Becton, Dickinson and Company ("BD") is a medical technology company that serves healthcare institutions, life science researchers, clinical laboratories, industry and the general public. BD manufactures and sells a broad range of medical supplies, devices, laboratory equipment and diagnostic products. Our business is divided into three worldwide business segments–BD Medical ("Medical"), BD Diagnostics ("Diagnostics") and BD Biosciences ("Biosciences"). Our products are marketed in the United States and internationally through independent distribution channels, directly to end users and by sales representatives. References to years throughout this discussion relate to our fiscal year, which ends on September 30.

BD management operates the business consistent with the following core strategies:

- To increase revenue growth by focusing on products that deliver greater benefits to patients, healthcare workers and researchers;
- To improve operating effectiveness and balance sheet productivity; and,
- To strengthen organizational and associate capabilities in the ever-changing healthcare environment.

In assessing the outcomes of these strategies and BD's financial condition and operating performance, management generally reviews quarterly forecast data, monthly actual results, segment sales and other similar information. We also consider trends related to certain key financial data, including gross profit margin, selling and administrative expense and cash flows.

The results of our strategies are reflected in our fiscal 2004 financial and operational performance. Revenues in 2004 of $4.9 billion increased 11% from the prior year, which includes the estimated favorable impact of foreign currency translation of 5%. Underlying revenue growth (defined as growth excluding the impact of foreign currency translation) of 6% resulted primarily from volume increases in all segments. For 2005, we expect underlying revenue growth for the full year to be about 7%. International revenue growth of 15% in 2004 was favorably affected by foreign currency translation, primarily the Euro. After excluding the estimated favorable impact of foreign currency translation of 9%, international revenues grew approximately 6%. For a discussion of the financial impact of exchange rate fluctuations and the ways and extent to which we attempt to mitigate such impact, see "Financial Instrument Market Risk" below.

Consistent with our strategy to provide products that deliver greater benefits to healthcare workers, and recognizing the issues surrounding sharps-related injuries, BD has developed a wide array of safety-engineered devices that are designed to reduce the incidence of needlestick injuries and exposure to bloodborne pathogens. These products are offered through our Medical and Diagnostics segments. Sales in the United States of safety-engineered devices grew 13% to $765 million in 2004, compared with $679 million in 2003. International sales of safety-engineered devices were approximately $200 million in 2004. In 2005, we expect U.S. sales of safety-engineered devices to increase about 10% to 11%. We are also anticipating growth of international safety sales in the range of 15% to 20%.

Our financial position remains strong with net cash provided by continuing operations (see discussion below regarding discontinued operations) of approximately $1.1 billion for 2004 and our debt-to-capitalization ratio from continuing operations (total debt as a percentage of the sum of shareholders' equity, net non-current deferred income tax liabilities and total debt) having improved to 28.1% at September 30, 2004, from 30.4% at September 30, 2003.

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 with higher gross profit margins across our business segments, and continue to improve operating efficiency and organizational effectiveness. Numerous factors can affect our ability to achieve these goals, including without limitation, U.S. and global economic conditions, increased competition and healthcare cost containment initiatives. We believe that there are several important factors relating to our business that tend to reduce the impact on BD of any potential economic or political events in countries in which we do business, including the effects of possible healthcare system reforms. These include the non-discretionary nature of the demand for many of our core products which reduces the impact of economic downturns, our international diversification, and our ability to meet the needs of the worldwide healthcare industry with cost-effective and innovative products.

In 2004, inflation did not have a material impact on our overall operations. However, it is possible that inflation rates will rise in 2005 and beyond, and will have a greater impact on worldwide economies and consequently, the way companies operate. For example, BD currently expends approximately $120 to $150 million per year to purchase supplies of resins, which are oil-based components used in the manufacture of certain BD products. We anticipate that our resin purchase costs will increase during 2005 in part, as a result of recent increases in world oil prices. To offset the potential of increasing costs, we strive to maintain our profit margins through cost reduction programs, productivity improvements and, to a lesser extent, periodic price increases.

Our anticipated revenue growth over the next three years is expected to come from the following:

- Core business growth and expansion, including blood glucose monitoring ("BGM") products and the continued transition to safety-engineered devices;
- Expanding the sale of our high-quality products around the globe; and
- Development in each business segment of new products and services that provide increased benefits to patients, healthcare workers and researchers.

We are currently in the process of evaluating our internal controls over financial reporting as required under Section 404 of the Sarbanes-Oxley Act of 2002. We have a detailed plan in place and expect to have this process completed by September 30, 2005, as required.

As further discussed below and in Note 18 of the Notes to Consolidated Financial Statements, in September 2004, our Board of Directors approved a plan to sell the Clontech operations, a unit of the Biosciences segment. In connection with this decision, we recorded a pre-tax charge in 2004 of $124 million to write down the net assets of Clontech to fair value in connection with the planned sale. For financial reporting purposes, the operating results of Clontech, including this charge, have been classified as discontinued operations for all periods presented.

Results of Continuing Operations

Medical Segment

Medical revenues in 2004 of $2.7 billion increased 9% over 2003 or 4%, excluding the estimated impact of favorable foreign currency translation of 5%. Revenue growth in the Medical Surgical Systems unit of this segment accounted for approximately 3 points of the underlying growth and included U.S. safety-engineered product sales of $448 million compared with $407 million in the prior year. Revenue growth in the Pharmaceutical Systems unit contributed approximately 1 point of the underlying growth rate. Such revenue growth reflects the adverse impact of customer buying patterns to support product launches in 2003. Revenue growth in the Diabetes Care unit contributed approximately 1 point of the underlying growth. Revenues in this unit included sales of BGM meters, test strips, and related disposables in the United States and Canada of $42 million compared with $15 million in 2003. We expect revenues of BGM products to be about $75 million in 2005. Growth in the Diabetes Care unit was negatively affected by the decline in the home healthcare product area. Revenue growth in the Medical Surgical Systems unit and the Pharmaceutical Systems unit reflected lower sales of *BD* Bifurcated Needles used in the administration of smallpox vaccines, which were $2 million and $26 million in 2004 and 2003, respectively. For 2005, we expect the full year underlying revenue growth for the Medical Segment to be about 7%.

Medical operating income was $567 million in 2004, which includes $45 million of BGM charges as discussed below, compared with $556 million in 2003. The increase in Medical operating income, excluding the BGM charges, reflected gross profit margin improvement resulting from the continued conversion to safety-engineered devices from conventional products and the benefits of the 2002 manufacturing restructuring program, as discussed in Note 5 of the Notes to Consolidated Financial Statements. Partially offsetting the growth in Medical operating income was higher research and development spending to support several new product initiatives.

Diagnostics Segment

Diagnostics revenues in 2004 of $1.5 billion increased 12% over 2003, or 7% excluding the estimated impact of favorable foreign currency translation of 5%. Revenues in the Preanalytical Systems unit and the Diagnostic Systems unit each contributed about one-half of the underlying revenue growth. Revenues in the Preanalytical Systems unit included U.S. safety-engineered device sales of $317 million compared with $272 million in the prior year. Revenues in the Diagnostic Systems unit reflected strong worldwide sales of respiratory and flu diagnostic tests in Japan and the United States, which on a combined basis resulted in incremental sales of $22 million over 2003. This unit also experienced strong worldwide sales of its molecular diagnostic platform, *BD ProbeTec* ET, which reported incremental sales of $18 million over 2003, and good worldwide performance in the more traditional infectious disease categories. For 2005, we expect the full year underlying revenue growth for the Diagnostics Segment to be about 6% to 7%.

Diagnostics operating income was $359 million in 2004 compared with $302 million in 2003. This increase reflected gross profit margin improvement resulting from increased sales of products that have higher overall gross profit margins, including safety-engineered products and the *BD ProbeTec* ETplatform.

Biosciences Segment

Biosciences revenues in 2004 of $723 million increased 14% over 2003, or 9% excluding the estimated impact of favorable foreign currency translation of 5%. Revenue growth in the Immunocytometry Systems unit accounted for approximately 7 points of the underlying growth. Revenue growth in that unit was driven by sales of the newly introduced *BD FACSCanto* and *BD FACSArray* analyzers and continued strong market acceptance of the *BD FACSAria* cell sorter, as well as strong growth of cell analysis reagents. For 2005, we expect the full year underlying revenue growth for the Biosciences Segment to be about 7% to 8%.

Biosciences operating income was $156 million in 2004 compared with $101 million in 2003, which included non-cash charges of $27 million, as discussed in the 2003 Compared With 2002 section below. The increase in Biosciences 2004 operating income, excluding the non-cash charges in 2003, was driven by sales growth resulting from new instrument introductions and increased sales of cell analysis reagents, as well as the fact that expenses grew at a lower rate than the revenue growth rate.

Geographic Revenues

On a geographic basis, revenues outside the United States in 2004 increased 15% to $2.5 billion. Excluding the estimated impact of favorable foreign currency translation of 9%, underlying revenue growth outside the United States was 6%. Sales of safety-engineered devices were approximately $200 million in 2004. Revenues in Europe accounted for approximately 3 points of the underlying revenue growth, led by strong sales of immunocytometry systems reagents and instruments as well as prefillable syringes. Revenues in Japan contributed approximately 1 point of the underlying revenue growth, led by strong sales of respiratory and flu diagnostic tests in the Diagnostic Systems unit.

Revenues in the United States in 2004 of $2.4 billion increased 6%, primarily from strong sales of safety-engineered devices and prefillable syringes. Sales in the Diabetes Care unit included $40 million related to BGM meters, test strips and related dis-posables. The Diagnostic Systems unit reported incremental sales of $10 million over 2003 of the *BD ProbeTec* ET in the United States.

BGM Charges

We recorded a pre-tax charge of $45 million to cost of products sold in 2004 related to our BGM products. The charge included a reserve of $6 million in connection with the voluntary product recall of certain lots of BGM test strips and the write-off of $30 million of certain test strip inventories. In addition, the charge reflected our decision to focus sales and marketing efforts on the *BD Logic* and Paradigm Link® blood glucose meters in the United States and to discontinue support of the *BD Latitude* system product offering in the United States, which decision resulted in a write-off of $9 million of related blood glucose meters and fixed assets. See Note 20 of the Notes to Consolidated Financial Statements for further discussion.

Gross Profit Margin

Gross profit margin was 49.3% in 2004 compared with 48.5% in 2003. Excluding the 2004 BGM charges discussed above and the 2003 non-cash charges, as discussed below, the increase in gross profit margin primarily reflected increased sales of products with higher gross profit margins, including safety-engineered products, BGM products and the *BD ProbeTec* ET instrument platform. In addition, gross profit margin benefited from approximately $15 million of savings achieved from the 2002 Medical restructuring plan.

Operating Expenses

Selling and administrative expense ("SSG&A") of $1.3 billion in 2004 was 26.6% of revenues, compared to $1.2 billion in 2003, or 26.5% of revenues. This increase was primarily the result of increased investment in various strategic initiatives, in particular, blood glucose monitoring products, as well as a weaker U.S. dollar. In 2005, SSG&A as a percentage of revenues is expected to decrease by 75 to 100 basis points.

Research and development ("R&D") in 2004 was $236 million, or 4.8% of revenues, compared with $224 million, or 5% of revenues, in 2003. Substantially all R&D efforts are in the United States and therefore are not impacted by foreign currency translation. However, the revenue increase attributable to foreign currency translation had the effect of decreasing R&D expenses as a percentage of sales. In 2005, we expect our year on year investment in R&D to grow 12% to 15%.

The litigation settlement of $100 million in 2004, as discussed in Note 17 of the Notes to Consolidated Financial Statements, related to the pre-tax charge to record the settlement of the litigation brought by Retractable Technologies, Inc.

Operating margin in 2004 was 16% of revenues, compared with 17.1% in 2003. Operating income of $787 million in 2004 included the $45 million of BGM charges and the $100 million litigation settlement, both discussed earlier. Operating income in 2003 of $761 million included $27 million of non-cash charges, as discussed in the 2003 Compared With 2002 section below.

Non-Operating Income and Expenses

Net interest expense was $30 million in 2004, compared with $37 million in 2003. This decrease was due primarily to interest income arising from tax refunds received in connection with the conclusion of certain tax examinations during 2004, as well as higher levels of interest-bearing investments.

Other expense, net was $5 million in 2004, primarily related to the write down of investments. Other expense, net of $3 million in 2003 consisted of write downs of investments and intangible assets of $5 million, which were partially offset by foreign exchange gains of $2 million.

Income Taxes

The effective tax rate in 2004 was 22.6% and reflects about a 1% reduction resulting from the deductibility of the BGM charges, and about a 1.5% reduction from the deductibility of the litigation settlement. See Note 7 of the Notes to Consolidated Financials Statements for additional discussion. In 2005, we expect our effective tax rate to be about 26%. The American Jobs Creation Act of 2004, which was signed into law on October 22, 2004, provides corporate taxpayers with an election to claim a deduction equal to 85% of cash dividends in excess of a base-period amount received from controlled foreign corporations if the dividends are invested in the United States under a properly approved domestic investment plan. As a result of the passage of the American Jobs Creation Act, during 2005 we will revisit our policy of indefinite reinvestment of foreign earnings. We expect that for every $100 million repatriated, our expected full year tax rate would increase by approximately .6 to .8 percentage points in 2005.

Income and Diluted Earnings per Share from Continuing Operations

Income from continuing operations and diluted earnings per share from continuing operations in 2004 were $583 million and $2.21, respectively, and included the impact of the BGM charges and litigation settlement in 2004, as discussed earlier, which reduced income from continuing operations in the aggregate by $90 million and diluted earnings per share from continuing operations in 2004 by 35 cents. Income from continuing operations and diluted earnings per share from continuing operations in 2003 were $555 million and $2.10, respectively. Non-cash charges in 2003, as discussed earlier, reduced income from continuing operations by $16 million and diluted earnings per share from continuing operations in 2003 by 6 cents.

Discontinued Operations

Loss and diluted earnings per share from discontinued operations in 2004 were $115 million and 44 cents, respectively. Loss from discontinued operations in 2004 reflected an after-tax charge of approximately $116 million in connection with the planned sale of Clontech, as further discussed in Note 18 of the Notes to Consolidated Financial Statements. This charge related to the write down of Clontech net assets to estimated fair value. Loss and diluted earnings per share from discontinued operations in 2003 were $8 million and 3 cents, respectively. The discontinued operations of Clontech in 2003 included an after-tax charge of $4 million relating to the write down of certain inventory and intellectual property.

Financial Instrument Market Risk

We selectively use financial instruments to manage the impact of foreign exchange rate and interest rate fluctuations on earnings. The counterparties to these contracts are highly rated financial institutions. We do not enter into financial instruments for trading or speculative purposes.

We have foreign currency exposures throughout Western Europe, Asia Pacific, Japan and Latin America. We face transactional currency exposures that arise when we enter into transactions in non-hyperinflationary countries, generally on an intercompany basis, that are denominated in currencies other than our functional currency. We hedge substantially all such foreign exchange exposures primarily through the use of forward contracts and currency options. We also face currency exposure that arises from translating the results of our worldwide operations to the U.S. dollar at exchange rates that have fluctuated from the beginning of the period. We purchase option and forward contracts to partially protect against adverse foreign exchange rate movements. Gains or losses on our derivative instruments are largely offset by the gains or losses on the underlying hedged transactions. For foreign currency derivative instruments, market risk is determined by calculating the impact on fair value of an assumed change in foreign exchange rates relative to the U.S. dollar. Fair values were estimated based on market prices, when available, or dealer quotes. The reduction in fair value of our purchased option contracts is limited to the option's fair value. With respect to the derivative instruments outstanding at September 30, 2004, a 10% appreciation of the U.S. dollar over a one-year period would increase pre-tax earnings by $39 million, while a 10% depreciation of the U.S. dollar would decrease pre-tax earnings by $6 million. Comparatively, considering our derivative instruments outstanding at September 30, 2003, a 10% appreciation of the U.S. dollar over a one-year period would have increased pre-tax earnings by $73 million, while a 10% depreciation of the U.S. dollar would have decreased pre-tax earnings by $37 million. These calculations do not reflect the impact of exchange gains or losses on the underlying positions that would substantially offset the results of the derivative instruments.

Our primary interest rate exposure results from changes in short-term U.S. dollar interest rates. Our debt and interest-bearing investments at September 30, 2004, are substantially all U.S. dollar-denominated. Therefore, transaction and translation exposure relating to such instruments is minimal. When managing interest rate exposures, we strive to achieve an acceptable balance between fixed and floating rate instruments.

We may enter into interest rate swaps to help maintain this balance and manage debt and interest-bearing investments in tandem, since these items have an offsetting impact on interest rate exposure. For interest rate derivative instruments, market risk is determined by calculating the impact to fair value of an assumed change in interest rates across all maturities. Fair values are estimated based on dealer quotes. A change in interest rates on short-term debt and interest-bearing investments is assumed to impact earnings and cash flow but not fair value because of the short maturities of these instruments. A change in interest rates on long-term debt is assumed to impact fair value but not earnings or cash flow because the interest on such obligations is fixed. See Note 9 of the Notes to Consolidated Financial Statements for additional discussion of our debt portfolio. Based on our overall interest rate exposure at September 30, 2004 and 2003, a change of 10% in interest rates would not have a material effect on our earnings or cash flows over a one-year period. An increase of 10% in interest rates would decrease the fair value of our long-term debt and interest rate swaps at September 30, 2004 and 2003 by approximately $42 million and $33 million, respectively. A 10% decrease in interest rates would increase the fair value of our long-term debt and interest rate swaps at September 30, 2004 and 2003 by approximately $46 million and $41 million, respectively.

See Note 10 of the Notes to Consolidated Financial Statements for additional discussion of our outstanding forward exchange contracts, currency options and interest rate swaps at September 30, 2004.

Liquidity and Capital Resources

Cash Flows from Continuing Operating Activities

Cash provided by continuing operations, which continues to be our primary source of funds to finance operating needs and capital expenditures, was $1.1 billion in 2004 compared to $903 million in 2003. Cash provided by continuing operations was reduced by $37 million and $112 million in cash contributions to BD pension plans during 2004 and 2003, respectively. Additional discretionary cash contributions of $68 million were made to BD pension plans in fiscal 2005 (October 2004). In 2005, we expect to generate in excess of $1.1 billion in cash flows from continuing operating activities.

Cash Flows from Continuing Investing Activities

Capital expenditures were $266 million in 2004, compared to $259 million in the prior year. Medical and Diagnostics capital spending, which totaled $159 million and $80 million, respectively in 2004, included spending for various capacity expansions as well as safety devices. Biosciences capital spending, which totaled $17 million in 2004, included spending on manufacturing capacity expansions. In 2005, capital expenditures are expected to be in the $300 to $325 million range and will include spending for new capacity expansion for push button blood collection sets.

In the fourth quarter of 2004, we spent approximately $24 million, net of cash acquired to purchase Atto Bioscience, Inc. See Note 6 of the Notes to Consolidated Financial Statements for additional discussion.

Cash Flows from Continuing Financing Activities

Net cash used for continuing financing activities was $504 million in 2004 as compared to $289 million during 2003 and included the repurchase of shares of our common stock for approximately $450 million, compared to approximately $350 million in 2003. At September 30, 2004, 4.1 million common shares remained available for purchase under a January 2004 Board of Directors' authorization to repurchase up to 10 million common shares. In 2005, we expect to continue to repurchase common shares of $400 to $450 million. Total debt at September 30, 2004, was $1.2 billion compared with $1.3 billion at September 30, 2003. Short-term debt declined to 4% of total debt at year-end, from 9% at the end of 2003. Floating rate debt was 55% of total debt at the end of both 2004 and 2003. Our weighted average cost of total debt at the end of 2004 was 4.3%, up from 3.8% at the end of 2003 due to higher short-term interest rates. Debt-to-capitalization at year-end improved to 28.1% from 30.4% last year. Cash and equivalents were $719 million and $520 million at September 30, 2004 and 2003, respectively.

We have in place a commercial paper borrowing program that is available to meet our short-term financing needs, including working capital requirements. Borrowings outstanding under this program were $33 million at September 30, 2004. At the end of 2003, we had in place two syndicated credit facilities totaling $900 million. These consisted of a $450 million five-year credit agreement maturing in August 2004 and a $450 million 364-day credit agreement maturing in August 2006.

In August 2004, we amended and restated the five-year credit agreement, increasing the amount available from $450 million to $900 million and extending the expiration date from August 2006 to August 2009. At the same time, we terminated the $450 million 364-day credit agreement due to expire in August 2004. These changes did not impact the total amount of syndicated credit facilities, which remain at $900 million. The amended and restated facility contains a single financial covenant that requires BD to maintain an interest expense coverage ratio (ratio of earnings before income taxes, depreciation and amortization to interest expense) of not less than 5-to-1 for the most recent four consecutive fiscal quarters. On the last eight measurement dates, this ratio has ranged from 18-to-1 to 21-to-1. The facility, under which there were no borrowings outstanding at September 30, 2004, can be used to support the commercial paper program or for general corporate purposes. In addition, we have informal lines of credit outside the United States.

At September 30, 2004, our long-term debt was rated "A2" by Moody's and "A+" by Standard and Poor's and our commercial paper ratings were "P-1" by Moody's and "A-1" by Standard and Poor's. Given the availability of the various credit facilities and our strong credit ratings, we continue to have a high degree of confidence in our ability to refinance maturing short-term and long-term debt, as well as to incur substantial additional debt, if required.

Contractual Obligations

In the normal course of business, we enter into contracts and commitments, which obligate us to make payments in the future. The table below sets forth BD's significant contracted obligations and related scheduled payments:

(in millions)	Total	2005	2006 to 2007	2008 to 2009	2010 and Thereafter
Short-term debt	$ 49	$ 49	$ —	$ —	$ —
Long-term debt	$ 1,172	$ —	$ 103	$ 1	$ 1,068
Operating leases	$ 163	$ 43	$ 68	$ 31	$ 21
Purchase obligations[A]	$ 175	$ 115	$ 56	$ 4	$ —
Total[B]	$ 1,559	$ 207	$ 227	$ 36	$ 1,089

(A)Purchase obligations are for purchases made in the normal course of business to meet operational and capital requirements.

(B)Excludes employee benefit obligations. See Note 4 of the Notes to Consolidated Financial Statements for disclosures relating to these plans.

Use of Non-GAAP Financial Measures

We prepare BD's financial statements in accordance with U.S. generally accepted accounting principals (GAAP). When discussing our financial performance, we at times will present certain non-GAAP financial measures, as follows:

- We present revenue growth rates at constant foreign exchange rates. We believe that presenting growth rates at constant foreign exchange rates allows investors to view the actual operating results of BD and of its segments without the impact of fluctuations in foreign currency exchange rates, thereby facilitating comparisons to prior periods.
- We present earnings per share and other financial measures after excluding the impact of significant charges, and the impact of unusual or non-recurring items. We believe that excluding such impact from these financial measures allows investors to more easily compare BD's financial performance to prior periods and to understand the operating results of BD without the effects of these significant charges and unusual or non-recurring items.

BD's management considers these non-GAAP financial measures internally in evaluating BD's performance. Investors should consider these non-GAAP measures in addition to, not as a substitute for or as superior to, measures of financial performance prepared in accordance with GAAP.

Litigation–Other Than Environmental

In 1986, we acquired a business that manufactured, among other things, latex surgical gloves. In 1995, we divested this glove business. We, along with a number of other manufacturers, have been named as a defendant in approximately 523 product liability lawsuits related to natural rubber latex that have been filed in various state and Federal courts. Cases pending in Federal court are being coordinated under the matter *In re Latex Gloves Products Liability Litigation* (MDL Docket

No. 1148) in Philadelphia, and analogous procedures have been implemented in the state courts of California, Pennsylvania, New Jersey and New York. Generally, these actions allege that medical personnel have suffered allergic reactions ranging from skin irritation to anaphylaxis as a result of exposure to medical gloves containing natural rubber latex. Since the inception of this litigation, 415 of these cases have been closed with no liability to BD (411 of which were closed with prejudice), and 45 cases have been settled for an aggregate de minimis amount. We are vigorously defending the remaining lawsuits.

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

- In Ohio, *Grant vs. Becton Dickinson et al.* (Case No. 98CVB075616, Franklin County Court), which was filed on July 22, 1998, the Court of Appeals, by order dated June 3, 2003, reversed the trial court's granting of class certification and remanded the case for a determination of whether the class can be redefined, or the action should be dismissed. A new motion for certification of a class has been filed in the trial court, with briefing to be completed in November 2004, and argument expected to be scheduled in the first part of 2005.
- In Oklahoma and South Carolina, cases have been filed on behalf of an unspecified number of healthcare workers seeking class action certification under the laws of these states in state court in Oklahoma, under the caption *Palmer vs. Becton Dickinson et al.* (Case No. CJ-98-685, Sequoyah County District Court), filed on October 27, 1998, and in state court in South Carolina, under the caption *Bales vs. Becton Dickinson et al.* (Case No. 98-CP-40-4343, Richland County Court of Common Pleas), filed on November 25, 1998.
- In Illinois, the matter of *McCaster vs. Becton Dickinson* (Case No. 04L 012544), which had previously been withdrawn without prejudice when the plaintiff failed to overturn the trial court's denial of class certification, was refiled in the Circuit Court of Cook County on November 5, 2004. This matter must be tried as an individual personal injury case in the trial court before the issue of class certification can be raised on appeal. No trial date has been set at this time.

We continue to oppose class action certification in these cases and will continue to vigorously defend these lawsuits, including pursuing all appropriate rights of appeal.

BD has insurance policies in place, and believes that a substantial portion of potential liability, if any, in the latex and class action matters would be covered by insurance. In order to protect our rights to additional coverage, we filed an action for declaratory judgment under the caption *Becton Dickinson and Company vs. Adriatic Insurance Company et al.* (Docket No. MID-L-3649-99MT, Middlesex County Superior Court) in New Jersey state court. We have withdrawn this action, with the right to refile, so that settlement discussions with the insurance companies may proceed.

We have established accruals to cover reasonably anticipated defense costs in all product liability lawsuits, including the needlestick class action and latex matters. With regard to the latex matters, we recorded special charges in 2000 and 1998 of $20 million and $12 million, respectively. Based on a review of available information at that time, these charges were recorded to reflect the minimum amount within the then most probable range of current estimates of litigation defense costs. We do not anticipate incurring significant one-time charges, similar to those recorded in 2000 and 1998, relating to the latex matters in future years.

On November 6, 2003, a class action complaint was filed against BD in the Supreme Court of British Columbia under the caption *Danielle Cardozo, by her litigation guardian Darlene Cardozo v. Becton, Dickinson and Company* (Civil Action No. S 83059) alleging personal injury to all persons in British Columbia that received test results generated by a *BD ProbeTec* ET instrument. The complaint seeks money damages in an unspecified amount. No additional or related claims have been filed against BD. We are assessing this action, and intend to vigorously defend this matter.

We have been informed by the Civil Division of the U.S. Department of Justice (the "Civil Division") that a private party has filed a qui tam complaint against BD alleging violations of the Federal False Claims Act ("FCA"). Qui tam is a provision of the FCA that allows private citizens to file a lawsuit in the name of the U.S. government. Under the FCA, the Civil Division has a certain period of time in which to decide whether to join the claim against BD as an additional plaintiff; if not, the private plaintiff is free to pursue the claim on its own. To BD's knowledge, no decision has yet been made by the Civil Division whether to join this claim. As of this date, no complaint has been served upon BD, and this matter is currently under seal by the Court. We believe that our business practices have complied with all applicable laws.

On August 3, 2004, BD was served with an administrative subpoena issued by the United States Attorney's Office in Dallas, Texas (the "U.S. Attorney") in connection with an investigation which the U.S. Attorney is conducting of transactions between another company and certain of its suppliers, including BD. BD believes that its transactions with the other company have fully complied with the law and that BD is not currently a target of the investigation. BD is cooperating fully in responding to the subpoena.

On January 23, 2004, a suit was brought by C.A. Greiner & Soehne GmbH ("Greiner") against BD UK Limited in the Patent Court of the Central London County Court in London, England. The plaintiff asserts that the *BD Hemogard* cap products and the *BD Vacutainer* Plus Plastic Citrate Tubes infringe certain European patents owned by Greiner. A trial date has been set for May 9, 2005. BD believes these allegations are without merit and intends to vigorously defend this lawsuit.

On May 28, 2004, Therasense, Inc. ("Therasense") filed suit against BD in the U.S. District Court for the Northern District of California (Case Number: C 04-02123 WDB) asserting that BD's BGM products infringe certain Therasense patents. On August 10, 2004, in response to a motion filed by Therasense in the U.S. District Court for the District of Massachusetts, the court transferred to the court in California an action previously filed by BD against Therasense requesting a declaratory judgment that BD's products do not infringe the Therasense patents and that the Therasense patents are invalid. BD believes that Therasense's infringement allegations are without merit and intends to vigorously defend the lawsuit.

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

Given the uncertain nature of litigation generally, we are not able to estimate the amount or range of loss that could result from an unfavorable outcome of the litigation to which we are a party. In accordance with U.S. generally accepted accounting principles, we establish accruals to the extent probable future losses are estimable. While we believe that the claims against BD are without merit and, upon resolution, should not have a material adverse effect on BD, in view of the uncertainties discussed above, we could incur charges in excess of any currently established accruals and, to the extent available, excess liability insurance. Accordingly, in the opinion of management, any such future charges, individually or in the aggregate, could have a material adverse effect on BD's consolidated results of operations and consolidated net cash flows in the period or periods in which they are recorded or paid. We continue to believe that we have a number of valid defenses to each of the suits pending against BD and are engaged in a vigorous defense of each of these matters.

Environmental Matters

We believe that our operations comply in all material respects with applicable laws and regulations. We are a party to a number of Federal proceedings in the United States brought under the Comprehensive Environment Response, Compensation and Liability Act, also known as "Superfund," and similar state laws. For all sites, there are other potentially responsible parties that may be jointly or severally liable to pay all cleanup costs.

We accrue costs for estimated environmental liabilities based upon our best estimate within the range of probable losses, without considering possible third-party recoveries. While we believe that, upon resolution, the environmental claims against BD should not have a material adverse effect on BD, we could incur charges in excess of presently established accruals and, to the extent available, excess liability insurance. Accordingly, in the opinion of management, any such future charges, individually or in the aggregate, could have a material adverse effect on BD's consolidated results of operations and consolidated net cash flows in the period or periods in which they are recorded or paid.

2003 Compared With 2002

Worldwide revenues in 2003 were $4.5 billion, an increase of 13% over 2002. Underlying revenue growth of 8%, which excludes the estimated favorable impact of foreign currency translation of 5%, resulted primarily from volume increases in all segments.

Medical Segment

Medical revenues in 2003 of $2.5 billion increased 14% over 2002 or 10%, excluding the estimated impact of favorable foreign currency translation of 4%. Revenue growth in the Medical Surgical Systems unit of this segment accounted for approximately 4 points of the underlying growth and included U.S. safety-engineered product sales of $407 million compared with $353 million in the prior year. Revenue growth in the Pharmaceutical Systems unit contributed approximately 3 points of the underlying growth rate. Sales of *BD* Bifurcated Needles used in the administration of smallpox vaccines and auto-disable devices to non-U.S. governments also contributed to the growth rate of these units, representing approximately 1 point of the overall underlying growth rate of the Medical segment. Revenue growth in the Diabetes Care unit, which accounted for approximately 2 points of the underlying growth, benefited from a favorable comparison with 2002 since 2002 reflected the unfavorable effects of redirecting promotional efforts toward branded insulin syringe sales at the retail level for U.S. Diabetes Care products. Revenue growth in this unit in 2003 included sales of $15 million related to the launch of blood glucose monitoring meters, test strips and related dispos-ables in the United States and Canada.

Medical operating income was $556 million in 2003 compared with $470 million in 2002. The increase in Medical operating income reflected gross profit margin improvement resulting from continued conversion to safety-engineered

devices from conventional products. The Medical operating income growth rate also benefited from a favorable comparison to 2002, which included $23 million of special charges, net of reversals, and $7 million of other manufacturing restructuring costs, as discussed below, as well as the impact of the above-mentioned factors affecting the Diabetes Care unit. Partially offsetting the growth in Medical operating income was higher incremental spending for the launch of the blood glucose monitoring product line.

Diagnostics Segment

Diagnostics revenues in 2003 of $1.4 billion rose 11% over 2002, or 7% excluding the estimated impact of favorable foreign currency translation of 4%. Revenues in the Preanalytical Systems unit and the Diagnostic Systems unit each contributed about one-half of the underlying revenue growth. Revenues in the Preanalytical Systems unit included U.S. safety-engineered device sales of $272 million compared with $220 million in the prior year. Revenues in the Diagnostic Systems unit reflected strong worldwide sales of its molecular diagnostic platform, *BD ProbeTec* ET, which reported incremental sales of $29 million over 2002, and good worldwide performance in the more traditional infectious disease categories.

Diagnostics operating income was $302 million in 2003 compared with $251 million in 2002. This increase reflected gross profit margin improvement resulting from increased sales of products that have higher overall gross profit margins, including safety-engineered products and the *BD ProbeTec* ET platform.

Biosciences Segment

Biosciences revenues in 2003 of $633 million increased 11% over 2002, or 5% excluding the estimated impact of favorable foreign currency translation of 6%. The primary growth driver was Immunocytometry Systems unit revenues, which included sales of the *BD FACSAria* cell sorter, which replaced the *BD FACSVantage* cell sorter upon launch in March 2003.

Biosciences operating income was $101 million in 2003 compared with $116 million in 2002. Excluding the $27 million of non-cash charges in 2003 discussed below, the increase in operating income reflected higher gross profit margins from strong sales of flow cytometry reagents and instruments, compared to 2002.

Geographic Revenues

On a geographic basis, revenues outside the United States in 2003 increased 18% to $2.2 billion. Excluding the estimated impact of favorable foreign currency translation of 10%, underlying revenue growth outside the United States was 8%. This growth was led by strong sales of prefillable syringes, *BD* Bifurcated Needles and hypodermic products in Europe and prefillable syringes in Japan. Revenue growth was adversely impacted by unfavorable economic conditions in Latin America.

Revenues in the United States in 2003 of $2.3 billion increased 8%, primarily from strong sales of safety-engineered devices. Revenue growth in the Diabetes Care unit included sales of $13 million related to the launch of blood glucose monitoring meters, test strips and related disposables, and benefited from a favorable comparison with 2002, which reflected the impact of the above mentioned factors affecting the Diabetes Care unit.

Non-Cash Charges

We recorded non-cash charges of $27 million in the third quarter of 2003 in cost of products sold. These charges resulted from the decision to discontinue the development of certain products and product applications associated with the *BD IMAGN* instrument platform in the Biosciences segment. As a result, we recorded an impairment charge of $27 million for the related intangible assets and inventory. See Note 3 of the Notes to Consolidated Financial Statements for further discussion of the write down of the intangible assets.

Gross Profit Margin

Gross profit margin was 48.5% in 2003 compared with 48.3% in 2002. Excluding the aforementioned non-cash charges of $27 million in 2003, the increase in gross profit margin primarily reflected increased sales of safety-engineered products, which have higher overall gross profit margins, compared to the prior year. Such increase was unfavorably impacted by increased costs associated with our blood glucose monitoring products.

Operating Expenses

Selling and administrative expense of $1.2 billion in 2003 was 26.5% of revenues, compared to $1 billion in 2002, or 25.4% of revenues. This increase was primarily the result of incremental spending on key initiatives, including our enterprise-wide program to upgrade our business information systems and processes, and the launch of our blood glucose monitoring products.

Research and development in 2003 was $224 million, or 5.0% of revenues, compared with $207 million, or 5.2% of revenues, in 2002. Incremental spending was concentrated primarily in key initiatives, including blood glucose monitoring, ophthalmic systems and advanced drug delivery systems.

We recorded special charges of $22 million in 2002. Included in these charges were $26 million of charges related to a manufacturing restructuring program in the Medical segment, as more fully described in Note 5 of the Notes to Consolidated Financial Statements. Special charges were net of the reversal of $4 million of fiscal 2000 special charges, primarily due to lower than anticipated employee severance and lease cancellation costs. Fiscal 2002 results also reflect $7 million of other manufacturing costs, primarily accelerated depreciation related to the restructuring program, that are included in cost of products sold. Beginning in 2004, we have achieved annual savings of approximately $15 million related to this restructuring program.

Operating margin in 2003 was 17.1% of revenues, compared with 17.0% in 2002. Operating income in 2003 of $761 million included $27 million of non-cash charges, as discussed earlier. Operating income in 2002 of $674 million included $22 million of special charges, as discussed earlier. Excluding these charges, operating margin was about the same in both years.

Non-Operating Income and Expenses

Net interest expense was $37 million in 2003, compared with $33 million in 2002. This increase was primarily due to higher long-term debt levels and a reduction in capitalized interest, partially offset by lower short-term interest rates and lower short-term debt levels.

Other expense, net of $3 million in 2003 consisted primarily of write downs of investments and intangible assets of $5 million, which were partially offset by foreign exchange gains of $2 million. Other expense, net of $14 million in 2002 included net losses on investments of $19 million, which reflect declines in fair values that were deemed other than temporary. Also included in other expense, net in 2002 were foreign exchange gains of $16 million that were substantially offset by write downs of assets held for sale and asset abandonments of $14 million.

Income Taxes

The effective tax rate in 2003 was 23.1%, which includes the impact from the 2003 non-cash charges, compared to 23.6% in 2002, which includes the impact from the 2002 special charges.

Income and Diluted Earnings per Share from Continuing Operations

Income and diluted earnings per share from continuing operations in 2003 were $555 million and $2.10 respectively. Non-cash charges in 2003, as discussed earlier, reduced income from continuing operations by $16 million and diluted earnings per share from continuing operations by 6 cents. Income and diluted earnings per share from continuing operations in 2002 were $479 million and $1.79, respectively. Special charges reduced income from continuing operations by $17 million and diluted earnings per share from continuing operations by 6 cents in 2002.

Discontinued Operations

Loss and diluted earnings per share from discontinued operations in 2003 were $8 million and 3 cents, respectively. Fiscal 2003 results included a $4 million after-tax charge relating to the write down of certain inventory and intellectual property. Income from discontinued operations in 2002 was $.6 million, which was less than 1 cent per diluted share.

Liquidity and Capital Resources

Cash Flows from Continuing Operating Activities

Cash provided by continuing operations was $903 million in 2003 compared to $829 million in 2002. Cash provided by continuing operations was reduced by $112 million and $110 million in 2003 and 2002, respectively, reflecting the impact of cash contributions to pension plans. Inventories increased by $114 million during 2003 to $776 million, due primarily to foreign currency translation adjustments and increases in inventory of blood glucose monitoring products in anticipation of future sales.

Cash Flows from Continuing Investing Activities

Capital expenditures were $259 million in 2003, compared to $256 million in 2002. Medical and Diagnostics capital spending, which totaled $167 million and $62 million, respectively in 2003, included spending for various capacity expansions as well as safety-engineered devices. Biosciences capital spending, which totaled $20 million in 2003, included spending on new products and manufacturing capacity expansions.

Cash Flows from Continuing Financing Activities

Net cash used for continuing financing activities was $289 million in 2003 as compared to $313 million during 2002. Total debt at September 30, 2003, was $1.3 billion compared with $1.2 billion at September 30, 2002. Short-term debt declined to 9% of total debt at the end of 2003, from 35% at the end of 2002. This change was attributable to the issuance to the public in April 2003 of $200 million of 10-year 4.55% Notes and $200 million of 15-year 4.9% Notes, the net proceeds from which were used to repay commercial paper. Floating rate debt was 55% of total debt at the end of 2003 and 59% of total debt at the end of 2002. Our weighted average cost of total debt at the end of 2003 was 3.8%, down slightly from 4% at the end of 2002 due to lower short-term interest rates. Debt-to-capitalization at September 30, 2003, improved to 30.4% from 32.6% in 2002. Cash and equivalents were $520 million and $243 million at September 30, 2003 and 2002, respectively.

Long-Term Incentive Program

In February 2004, our shareholders approved a long-term incentive program for employees consisting of stock options, restricted stock units, and stock appreciation rights. Restricted stock units represent the right to receive a share of BD's common stock upon vesting and, in 2005, are expected to be awarded in three varieties: time-vested restricted stock units, which vest after three years from the date of grant; performance restricted stock units which vest after three years from the date of grant and whose award value is directly linked to BD's three-year financial performance in certain areas; and career restricted stock units, which vest one year after the employee's retirement.

In addition, beginning in our first quarter of fiscal 2005, we plan to voluntarily adopt the recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation." We expect to use the modified prospective method as described in SFAS No. 148, "Accounting for Stock-Based Compensation–Transition and Disclosure," to adopt this accounting. Under this method, stock-based employee compensation cost will be recognized from the beginning of fiscal 2005 as if the fair value based accounting method had been used to account for all unvested stock options.

We expect compensation expense associated with the long-term incentive plan and the SFAS No. 123 adoption to impact the full year fiscal 2005 diluted earnings per share from continuing operations by approximately $.15 to $.17.

Critical Accounting Policies

The Financial Review discusses our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities at the date of the financial statements. Some of those judgments can be subjective and complex and consequently, actual results could differ from those estimates. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. For any given estimate or assumption made by management, there may also be other estimates or assumptions that are reasonable. However, we believe that given the current facts and circumstances, it is unlikely that applying any such alternative judgments would materially impact the accompanying financial statements. Management believes the following critical accounting policies affect the more significant judgments and estimates used in the preparation of BD's consolidated financial statements.

Revenue Recognition

We recognize revenue for certain instruments sold from the Biosciences segment upon installation at a customer's site. Based upon terms of the sales agreements, the Biosciences segment recognizes revenue in accordance with Emerging Issues Task Force No. 00-21, "Revenue Arrangements with Multiple Deliverables." These sales agreements have multiple deliverables, and as such are divided into separate units of accounting. Revenue is recognized upon the completion of each deliverable. Substantially all other revenue is recognized when products are shipped and title passes to customers.

A large part of BD's domestic businesses sell products to distributors who resell the products to the end-user customers. We provide rebates to distributors that sell to end-user customers at prices determined under a contract between BD and the end-user customer or distributor. We estimate the amount of the rebate that will be paid, and record the liability as a reduction of revenues when we record the sale of the product.

Impairment of Assets

Pursuant to SFAS No. 142, "Goodwill and Other Intangible Assets," goodwill and indefinite-lived intangible assets are subject to impairment reviews at least annually, or whenever indicators of impairment arise. Intangible assets other than goodwill and indefinite-lived intangible assets and other long-lived assets are reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Refer to Note 1 of the Notes to Consolidated Financial Statements for further information. Impairment reviews are based on a cash flow approach that requires significant management judgment with respect to future volume, revenue and expense growth rates, changes in working capital use, appropriate discount rates and other assumptions and estimates. The estimates and assumptions used are consistent with BD's business plans. The use of alternative estimates and assumptions could increase or decrease the estimated fair value of the asset, and potentially result in different impacts to BD's results of operations. Actual results may differ from management's estimates.

Investments

We hold minority interests in companies having operations or technology in areas within or adjacent to BD's strategic focus. Some of these companies are publicly traded, and for them market prices are available. Some, however, are non-publicly traded and their fair value is difficult to determine. We write down an investment when management believes an investment has experienced a decline in value that is other than temporary. Future adverse changes in market conditions or poor operating results of the underlying investments could result in an inability to recover the carrying value of the investments, thereby possibly requiring impairment charges in the future.

Tax Valuation Allowances

BD maintains valuation allowances where it is likely that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances are included in our tax provision in the period of change. In determining whether a valuation allowance is warranted, management evaluates factors such as prior earnings history, expected future earnings, carry-back and carry-forward periods, and tax strategies that could potentially enhance the likelihood of realization of a deferred tax asset.

Contingencies

We are 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, as further discussed in Note 13 of the Notes to Consolidated Financial Statements. We assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. In accordance with U.S. generally accepted accounting principles, we establish accruals to the extent probable future losses are estimable. A determination of the amount of accruals, if any, for these contingencies is made after careful analysis of each individual issue and, when appropriate, is developed after consultation with outside counsel. The accruals may change in the future due to new developments in each matter or changes in our strategy in dealing with these matters.

Benefit Plans

We have significant pension and postretirement benefit costs and credits that are developed from actuarial valuations. Inherent in these valuations are key assumptions including discount rates and expected return on plan assets. We consider current market conditions, including changes in interest rates and market returns, in selecting these assumptions. Changes in the related pension and postretirement benefit costs or credits may occur in the future due to changes in the assumptions.

Stock-Based Compensation

As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," we currently account for stock options by the disclosure-only provision of this Statement, and, therefore, we use the intrinsic value method as prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," for accounting for stock-based compensation. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of our stock at the date of the option grant over the exercise price. We have not incurred any such compensation expense during the last three fiscal years.

If we had elected to account for our stock-based compensation awards issued subsequent to October 1, 1995, using the fair value method, the estimated fair value of awards would have been charged against income on a straight-line basis over the vesting period, which generally ranges from zero to four years. For the year ended September 30, 2004, our net income and diluted earnings per share would have been lower by an estimated $32 million and 11 cents, respectively, under the fair value method. This effect may not be representative of the pro forma effect on net income in future years. See discussion above regarding our planned adoption of the recognition provisions of SFAS No. 123 in fiscal 2005.

Cautionary Statement Pursuant to Private Securities Litigation Reform Act of 1995–"Safe Harbor" for Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 (the "Act") provides a safe harbor for forward-looking statements made by or on behalf of BD. BD and its representatives may from time to time make certain forward-looking statements in publicly released materials, both written and oral, including statements contained in this report and filings with the Securities and Exchange Commission and in our other reports to shareowners. Forward-looking statements may be identified by the use of words like "plan," "expect," "believe," "intend," "will," "anticipate," "estimate" and other words of similar meaning in conjunction with, among other things, discussions of future operations and financial performance, as well as our strategy for growth, product development, regulatory approvals, market position and expenditures. All statements that address operating performance or events or developments that we expect or anticipate will occur in the future–including statements relating to volume growth, sales and earnings per share growth and statements expressing views about future operating results–are forward-looking statements within the meaning of the Act.

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

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

- Regional, national and foreign economic factors, including inflation and fluctuations in interest rates and foreign currency exchange rates and the potential effect of such fluctuations on revenues, expenses and resulting margins.
- Competitive product and pricing pressures and our ability to gain or maintain market share in the global market as a result of actions by competitors, including technological advances achieved and patents attained by competitors as patents on our products expire. While we believe our opportunities for sustained, profitable growth are considerable, actions of competitors could impact our earnings, share of sales and volume growth.
- Changes in domestic and foreign healthcare resulting in pricing pressures, including the continued consolidation among healthcare providers; trends toward managed care and healthcare cost containment; and government laws and regulations relating to sales and promotion, reimbursement and pricing generally.
- The effects, if any, of governmental and media activities relating to U.S. Congressional hearings regarding the business practices of group purchasing organizations, which negotiate product prices on behalf of their member hospitals with BD and other suppliers.
- Fluctuations in the cost and availability of raw materials and the ability to maintain favorable supplier arrangements and relationships.
- Our ability to obtain the anticipated benefits of restructuring programs, if any, that we may undertake.
- Adoption of or changes in government laws and regulations affecting domestic and foreign operations, including those relating to trade, monetary and fiscal policies, taxation, environmental matters, sales practices, price controls, licensing and regulatory approval of new products, or changes in enforcement practices with respect to any such laws and regulations.
- Difficulties inherent in product development, including the potential inability to successfully continue technological innovation, complete clinical trials, obtain regulatory approvals in the United States and abroad, or gain and maintain market approval of products, as well as the possibility of encountering infringement claims by competitors with respect to patent or other intellectual property rights, all of which can preclude or delay commercialization of a product.
- Pending and potential litigation or other proceedings adverse to BD, including product liability claims, patent infringement claims and antitrust claims, as well as other risks and uncertainties detailed from time to time in our Securities and Exchange Commission filings.
- The effects, if any, of adverse media exposure or other publicity regarding BD's business or operations.
- Our ability to achieve earnings forecasts, which are generated based on projected volumes and sales of many product types, some of which are more profitable than others. There can be no assurance that we will achieve the projected level or mix of product sales.
- The effect of market fluctuations on the value of assets in BD's pension plans and the possibility that BD may need to make additional contributions to the plans as a result of any decline in the value of such assets.
- Our ability to effect infrastructure enhancements and incorporate new systems technologies into our operations.
- Product efficacy or safety concerns resulting in product recalls, regulatory action on the part of the Federal Food and Drug Administration (or foreign counterparts) or declining sales.
- Economic and political conditions in international markets, including civil unrest, governmental changes and restrictions on the ability to transfer capital across borders.
- Our ability to penetrate developing and emerging markets, which also depends on economic and political conditions, and how well we are able to acquire or form strategic business alliances with local companies and make necessary infrastructure enhancements to production facilities, distribution networks, sales equipment and technology.
- The impact of business combinations, including acquisitions and divestitures, both internally for BD and externally in the healthcare industry.
- Our ability to successfully complete the divestiture of Clontech within the expected timeframe.
- The structure of any transaction involving the divestiture of Clontech and the sales price and other terms relating thereto.
- Issuance of new or revised accounting standards by the Financial Accounting Standards Board or the Securities and Exchange Commission.

The foregoing list sets forth many, but not all, of the factors that could impact our ability to achieve results described in any forward-looking statements. Investors should understand that it is not possible to predict or identify all such factors and should not consider this list to be a complete statement of all potential risks and uncertainties.

Report of Management

The following financial statements have been prepared by management in conformity with U.S. generally accepted accounting principles and include, where required, amounts based on the best estimates and judgments of management. The integrity and objectivity of data in the financial statements and elsewhere in this Annual Report are the responsibility of management.

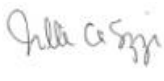
In fulfilling its responsibilities for the integrity of the data presented and to safeguard the Company's assets, management employs a system of internal accounting controls designed to provide reasonable assurance, at appropriate cost, that the Company's assets are protected and that transactions are appropriately authorized, recorded and summarized. This system of control is supported by the selection of qualified personnel, by organizational assignments that provide appropriate delegation of authority and division of responsibilities, and by the dissemination of written policies and procedures. This control structure is further reinforced by a program of internal audits, including a policy that requires responsive action by management.

The financial statements have been audited by Ernst & Young LLP, independent auditors, whose report follows. Their audits were conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and included a review and evaluation of the Company's internal accounting controls to the extent they considered necessary for the purpose of expressing an opinion on the consolidated financial statements. This, together with other audit procedures and tests, was sufficient to provide reasonable assurance as to the fairness of the information included in the financial statements and to support their opinion thereon.

The Board of Directors monitors the internal control system, including internal accounting controls, through its Audit Committee which consists of five independent Directors. The Audit Committee meets periodically with the independent auditors, internal auditors and financial management to review the work of each and to satisfy itself that they are properly discharging their responsibilities. The independent auditors and internal auditors have full and free access to the Audit Committee and meet with its members, with and without financial management present, to discuss the scope and results of their audits including internal control, auditing and financial reporting matters.

Edward J. Ludwig
Chairman, President and
Chief Executive Officer

John R. Considine
Executive Vice President
and Chief Financial Officer



William A. Tozzi
Vice President
and Controller

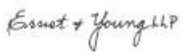
Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
of Becton, Dickinson and Company

We have audited the accompanying consolidated balance sheets of Becton, Dickinson and Company as of September 30, 2004 and 2003, and the related consolidated statements of income, comprehensive income, and cash flows for each of the three years in the period ended September 30, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Becton, Dickinson and Company at September 30, 2004 and 2003, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2004, in conformity with U.S. generally accepted accounting principles.



New York, New York
November 3, 2004

Financial Statements

Consolidated Statements of Income

Years Ended September 30
Thousands of dollars, except per-share amounts

	2004	2003	2002
Operations			
Revenues	**$ 4,934,745**	$ 4,463,509	$ 3,960,359
Cost of products sold	**2,500,362**	2,296,637	2,049,475
Selling and administrative expense	**1,311,467**	1,181,403	1,007,696
Research and development expense	**235,649**	224,237	207,204
Special charges	**—**	—	21,508
Litigation settlement	**100,000**	—	—
Total Operating Costs and Expenses	**4,147,478**	3,702,277	3,285,883
Operating Income	**787,267**	761,232	674,476
Interest expense, net	**(29,607)**	(36,549)	(33,243)
Other expense, net	**(4,792)**	(2,725)	(13,766)
Income From Continuing Operations Before Income Taxes	**752,868**	721,958	627,467
Income tax provision	**170,364**	167,028	148,115
Income from Continuing Operations	**582,504**	554,930	479,352
(Loss) income from Discontinued Operations Net of income tax (benefit) provision of ($7,961), ($4,378) and $492	**(115,102)**	(7,874)	630
Net Income	**$ 467,402**	$ 547,056	$ 479,982
Basic Earnings Per Share			
Income from Continuing Operations	**$ 2.30**	$ 2.17	$ 1.85
Loss from Discontinued Operations	**$ (0.46)**	$ (0.03)	$ —
Basic Earnings Per Share	**$ 1.85**	$ 2.14	$ 1.85
Diluted Earnings Per Share			
Income from Continuing Operations	**$ 2.21**	$ 2.10	$ 1.79
Loss from Discontinued Operations	**$ (0.44)**	$ (0.03)	$ —
Diluted Earnings Per Share	**$ 1.77**	$ 2.07	$ 1.79

See notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

Years Ended September 30
Thousands of dollars

	2004	2003	2002
Net Income	**$ 467,402**	$ 547,056	$ 479,982
Other Comprehensive Income (Loss), Net of Tax			
Foreign currency translation adjustments	**83,522**	207,107	16,472
Minimum pension liability adjustment	**(6,730)**	(9,248)	(77,661)
Unrealized gains on investments, net of amounts recognized	**242**	9,653	4,005
Unrealized losses on cash flow hedges, net of amounts realized	**(2,461)**	(5,499)	(380)
Other Comprehensive Income (Loss), Net of Tax	**74,573**	202,013	(57,564)
Comprehensive Income	**$ 541,975**	$ 749,069	$ 422,418

See notes to consolidated financial statements

Consolidated Balance Sheets

September 30
Thousands of dollars, except per-share amounts and numbers of shares

	2004	2003
Assets		
Current Assets		
Cash and equivalents	**$ 719,378**	$ 519,886
Short-term investments	**32,119**	—
Trade receivables, net	**807,380**	772,067
Inventories	**738,778**	776,220
Prepaid expenses, deferred taxes and other	**279,985**	239,983
Assets held for sale	**63,694**	195,303
Total Current Assets	**2,641,334**	2,503,459
Property, Plant and Equipment, Net	**1,880,997**	1,831,791
Goodwill, Net	**473,211**	445,854
Core and Developed Technology, Net	**188,541**	193,238
Other Intangibles, Net	**93,466**	102,538
Capitalized Software, Net	**283,918**	305,536
Other	**191,112**	189,837
Total Assets	**$ 5,752,579**	$ 5,572,253
Liabilities		
Current Liabilities		
Short-term debt	**$ 49,289**	$ 121,858
Accounts payable	**206,941**	219,804
Accrued expenses	**384,936**	358,931
Salaries, wages and related items	**307,996**	258,749
Income taxes	**86,739**	74,986
Liabilities held for sale	**14,181**	25,114
Total Current Liabilities	**1,050,082**	1,059,442
Long-Term Debt	**1,171,506**	1,184,016
Long-Term Employee Benefit Obligations	**374,222**	328,254
Deferred Income Taxes and Other	**88,906**	103,587
Commitments and Contingencies	**—**	—
Shareholders' Equity		
ESOP convertible preferred stock–$1 par value: authorized – 1,016,949 shares; issued and outstanding – 527,819 shares in 2004 and 583,753 shares in 2003	**31,142**	34,448
Preferred stock, series A–$1 par value: authorized – 500,000 shares; none issued	**—**	—
Common stock – $1 par value: authorized – 640,000,000 shares; issued – 332,662,160 shares in 2004 and 2003	**332,662**	332,662
Capital in excess of par value	**414,515**	257,178
Retained earnings	**4,264,778**	3,950,592
Unearned ESOP compensation	**—**	(3,693)
Deferred compensation	**10,222**	8,974
Common shares in treasury – at cost – 83,327,295 shares in 2004 and 81,528,882 shares in 2003	**(1,816,756)**	(1,439,934)
Accumulated other comprehensive loss	**(168,700)**	(243,273)
Total Shareholders' Equity	**3,067,863**	2,896,954
Total Liabilities and Shareholders' Equity	**$ 5,752,579**	$ 5,572,253

See notes to consolidated financial statements

Consolidated Statements of Cash Flows
Years Ended September 30
Thousands of dollars

	2004	2003	2002
Operating Activities			
Net income	**$ 467,402**	$ 547,056	$ 479,982
Loss (income) from discontinued operations, net	**115,102**	7,874	(630)
Income from continuing operations, net	**582,504**	554,930	479,352
Adjustments to income from continuing operations to derive net cash provided by continuing operating activities:			
Depreciation and amortization	**357,224**	335,759	296,576
Pension contributions	**(37,468)**	(112,132)	(110,325)
Deferred income taxes	**(31,345)**	5,921	58,372
Losses on investments	**4,918**	4,116	32,777
Impairment of intangible assets	**—**	29,154	—
Non-cash special charges	**—**	—	6,526
BGM charges	**38,551**	—	—
Change in operating assets (excludes impact of acquisitions):			
Trade receivables	**(15,854)**	31,450	31,086
Inventories	**30,096**	(49,854)	22,610
Prepaid expenses, deferred taxes and other	**(2,466)**	8,596	(419)
Accounts payable, income taxes and other liabilities	**99,447**	65,500	(498)
Other, net	**74,653**	29,493	13,226
Net Cash Provided by Continuing Operating Activities	**1,100,260**	902,933	829,283
Investing Activities			
Capital expenditures	**(265,718)**	(259,218)	(255,705)
Capitalized software	**(39,190)**	(64,782)	(81,376)
(Purchases) proceeds of short-term investments, net	**(31,298)**	1,975	3,054
Purchases of long-term investments	**(10,149)**	(4,399)	(3,397)
Acquisitions of businesses, net of cash acquired	**(24,251)**	—	—
Other, net	**(24,628)**	(21,987)	(19,902)
Net Cash Used for Continuing Investing Activities	**(395,234)**	(348,411)	(357,326)
Financing Activities			
Change in short-term debt	**(56,509)**	(319,608)	(18,756)
Proceeds of long-term debt	**—**	404,683	3,827
Payment of long-term debt	**(21,682)**	(6,386)	(9,543)
Repurchase of common stock	**(449,930)**	(349,998)	(223,961)
Issuance of common stock	**176,072**	86,618	38,069
Dividends paid	**(152,376)**	(104,148)	(102,459)
Net Cash Used for Continuing Financing Activities	**(504,425)**	(288,839)	(312,823)
Net Cash (Used for) Provided by Discontinued Operations	**(2,726)**	(1,003)	2,038
Effect of exchange rate changes on cash and equivalents	**1,617**	12,091	(186)
Net Increase in Cash and Equivalents	**199,492**	276,771	160,986
Opening Cash and Equivalents	**519,886**	243,115	82,129
Closing Cash and Equivalents	**$ 719,378**	$ 519,886	$ 243,115

See notes to consolidated financial statements

Thousands of dollars, except per-share amounts and numbers of shares

Index

1 Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Becton, Dickinson and Company and its majority-owned subsidiaries ("Company") after the elimination of intercompany transactions.

Reclassifications

The Company has reclassified certain prior year information to conform with the current year presentation.

Cash Equivalents

Cash equivalents are stated at cost plus accrued interest, which approximates market. The Company considers all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents.

Inventories

Inventories are stated at the lower of cost or market. During the fourth quarter of 2003, the Company changed its method of determining cost for inventory previously determined under the last-in, first-out ("LIFO") method to the first-in, first-out ("FIFO") method, as discussed in Note 2.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are principally provided on the straight-line basis over estimated useful lives, which range from 20 to 45 years for buildings, four to 10 years for machinery and equipment and two to 17 years for leasehold improvements. Depreciation expense was $221,545, $217,553 and $198,244 in fiscal 2004, 2003, and 2002, respectively.

Intangibles

Goodwill is reviewed annually for impairment in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," as discussed in Note 3. In reviewing goodwill for impairment, potential impairment is identified by comparing the estimated fair value of a reporting unit with its carrying value. Core and developed technology continues to be amortized over periods ranging from 15 to 20 years, using the straight-line method. Both goodwill and core and developed technology arise from acquisitions. Other intangibles with finite useful lives, which include patents, are amortized over periods principally ranging from two to 40 years, using the straight-line method. These intangibles, including core and developed technology, are periodically reviewed when impairment indicators are present to assess recoverability from future operations using undiscounted

cash flows in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." To the extent carrying value exceeds fair value, an impairment loss is recognized in operating results. Other intangibles also include certain trademarks that are considered to have indefinite lives, as they are expected to generate cash flows indefinitely. Therefore, in accordance with the provisions of SFAS No. 142, these trademarks are no longer amortized but are reviewed annually for impairment. See Note 3 for further discussion.

Capitalized Software

Capitalized software includes approximately $173,600 and $203,914 of net costs as of September 30, 2004 and 2003, respectively, associated with our enterprise-wide program to upgrade our business information systems, known internally as "Genesis." The costs associated with the Genesis program will be fully amortized by 2009, with amortization expense being primarily reported as Selling and administrative expense. Capitalized software also includes approximately $33,997 and $15,226 of net costs as of September 30, 2004 and 2003, respectively, associated with a business information systems upgrade within the Biosciences segment. This implementation is estimated to be completed by January 2005 and the related costs will be fully amortized by 2011. Similar to our accounting for the costs of Genesis, these costs are capitalized in accordance with theAICPA's Statement of Position 98-1," Accounting for Costs of Computer Software Developed or Obtained for Internal Use." Amortization expense was $66,319, $52,602 and $31,330 for 2004, 2003 and 2002, respectively.

Foreign Currency Translation

Generally, the net assets of foreign operations are translated into U.S. dollars using current exchange rates. The U.S. dollar results that arise from such translation, as well as exchange gains and losses on intercompany balances of a long-term investment nature, are included in the foreign currency translation adjustments in Accumulated other comprehensive income (loss).

Revenue Recognition

Revenue is recognized on the sale of certain instruments in the Biosciences segment upon completion of installation at the customer's site. Based upon the terms of sales arrangements entered into beginning in the fourth quarter of 2003, the Biosciences segment began to recognize revenue in accordance with Emerging Issues Task Force("EITF") No. 00-21,"Revenue Arrangements with Multiple Deliverables." These sales arrangements have multiple deliverables and, as such, are divided into separate units of accounting. Revenue and cost of products sold are recognized at the completion of each deliverable. Substantially all other revenue is recognized when products are shipped and title passes to customers.

A large part of the Company's domestic businesses sell products to distributors who resell the products to the end-user customers. The Company provides rebates to distributors that sell to end-user customers at prices determined under a contract between BD and the end-user customer or distributor. The Company estimates the amount of the rebate that will be paid, and records the liability as a reduction of revenues when the Company records the sale of the product.

Shipping and Handling Costs

Shipping and handling costs are included in Selling and administrative expense. Shipping expense was $205,280, $190,472 and $174,466 in 2004, 2003, and 2002, respectively.

Warranty

Estimated future warranty obligations related to applicable products are provided by charges to operations in the period in which the related revenue is recognized.

Derivative Financial Instruments

In accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, all derivatives are recorded in the balance sheet at fair value and changes in fair value are recognized currently in earnings unless specific hedge accounting criteria are met. See Note 10 for additional discussion on financial instruments.

Derivative financial instruments are utilized by the Company in the management of its foreign currency and interest rate exposures. The Company hedges its foreign currency exposures by entering into offsetting forward exchange contracts and currency options, when it deems appropriate. The Company utilizes interest rate swaps and forward rate agreements to manage its exposure to fluctuating interest rates. The Company does not use derivative financial instruments for trading or speculative purposes.

Any deferred gains or losses associated with derivative instruments, which on infrequent occasions may be terminated prior to maturity, are recognized in income in the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instrument, such instrument would be closed and the resultant gain or loss would be recognized in income.

Income Taxes

United States income taxes are not provided on substantially all undistributed earnings of foreign subsidiaries since such undistributed earnings are indefinitely reinvested outside the United States. Income taxes are provided and tax credits are recognized based on tax laws enacted at the dates of the financial statements.

The Company maintains valuation allowances where it is likely that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances are included in our tax provision in the period of change. In determining whether a valuation allowance is warranted, management evaluates factors such as prior earnings history, expected future earnings, carry-back and carry-forward periods, and tax strategies that could potentially enhance the likelihood of realization of a deferred tax asset.

Earnings Per Share

Basic earnings per share are computed based on the weighted average number of common shares outstanding. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. These estimates or assumptions affect reported assets, liabilities, revenues and expenses as reflected in the consolidated financial statements. Actual results could differ from these estimates.

Stock-Based Compensation

Under the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," the Company accounts for stock-based employee compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the exercise price.

The following pro-forma net income and earnings per share information has been determined as if the Company had accounted for its stock-based compensation awards issued using the fair value method. Under the fair value method, the estimated fair value of awards would be charged against income on a straight-line basis over the vesting period, which generally ranges from zero to four years. The pro-forma effect on net income for 2004, 2003, and 2002 may not be representative of the pro forma effect on net income in future years since compensation cost is allocated on a straight-line basis over the vesting periods of the grants, which extends beyond the reported years.

	2004	2003	2002
Net Income, as reported	**$ 467,402**	$ 547,056	$ 479,982
Less stock-based compensation expense, net of tax	**32,027**	35,941	34,890
Pro-forma net income	**$ 435,375**	$ 511,115	$ 445,092
Reported earnings per share:			
Basic	**$ 1.85**	$ 2.14	$ 1.85
Diluted	**$ 1.77**	$ 2.07	$ 1.79
Pro-forma earnings per share:			
Basic	**$ 1.72**	$ 2.00	$ 1.72
Diluted	**$ 1.66**	$ 1.95	$ 1.66

The pro-forma amounts and fair value of each option grant are estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 2004, 2003, and 2002: risk free interest rates of 3.85%, 3.66%, and 4.50%, respectively; expected volatility of 32.5%, 33.2%, and 33.0% respectively; expected dividend yields of 1.16%, 1.21%, and 1.16%, respectively; and expected lives of six years for each year presented.

The Company estimated the fair value of stock options using the Black-Scholes option-pricing model, modified for dividends and using certain assumptions for stock price volatility, risk free interest rates, dividend yields and expected terms until exercise. The value determined by the Black-Scholes option-pricing model is based on assumptions at the time of grant and subsequent modifications to such assumptions are not reflected in the value of prior grants. The Black-Scholes model is a trading option-pricing model that does not reflect either the non-traded nature of employee stock options or the limited transferability of such options. This model also does not consider restrictions on trading for all employees, including certain restrictions imposed on senior management of the Company. Therefore, if the Company had used an option-pricing model other than Black-Scholes, pro-forma results different from those shown above may have been reported. See Note 2 regarding the Company's planned adoption of the recognition provisions of SFAS No. 123 in fiscal 2005.

2 Accounting Changes

Adoption of New Accounting Standards

In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). FIN 46 significantly changes whether entities included in its scope are consolidated by their sponsors, transferors or investors. The Interpretation introduces a new consolidation model, "the variable interests model," which determines control based on potential variability in gains and losses of the entity being evaluated for consolidation. Under FIN 46, variable interest entities are to be consolidated if certain conditions are met. Variable interests are contractual, ownership or other interests in an entity that expose their holders to the risks and rewards of the variable interest entity. Variable interests include equity investments, leases, derivatives, guarantees and other instruments whose values change with changes in the variable interest entity's assets. The Company adopted FIN 46 in the second quarter of 2004, as required, and such adoption had no impact on the Company's consolidated financial position, results of operations or financial disclosures.

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was signed into law. The Act introduces a prescription drug benefit under Medicare, as well as a federal subsidy to sponsors of retiree healthcare benefit plans that provide a benefit that is at least actuarially equivalent to Medicare. The Company adopted Financial Accounting Standards Board Staff Position ("FSP") 106-2: "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" on a prospective basis effective January 1, 2004. This adoption resulted in a reduction of the Company's accumulated postretirement benefit obligation of $26,409 at October 1, 2003 and a reduction of the net periodic benefit cost of $2,053 for the year ended September 30, 2004. See Note 4 for more information about the Company's benefit plans.

Inventories

During the fourth quarter of 2003, the Company changed its method of determining cost for its inventory previously determined under the LIFO method to the FIFO method. As a result of operating efficiencies and cost reductions, the Company believed that the FIFO method was preferable because it better measures the current cost of such inventories and provides a more appropriate matching of revenues and expenses. The change to the FIFO method was retroactively applied by restating prior periods presented. There was no impact to the Consolidated Statements of Income for all prior periods presented. The Consolidated Balance Sheet at September 30, 2003 had been restated to reflect a reduction in inventories of $11,477, a reduction in retained earnings of $7,116 and a reduction in deferred tax liabilities of $4,361 for all periods presented.

Planned Accounting Change

Beginning in the first quarter of fiscal 2005, the Company plans to voluntarily adopt the recognition provisions of SFAS No. 123. The Company expects to use the modified prospective method as discussed in SFAS No. 148, "Accounting for Stock-Based Compensation–Transition and Disclosure," to adopt this accounting. Under this method, stock-based employee compensation cost will be recognized from the beginning of fiscal 2005 as if the fair value based accounting method had been used to account for all unvested stock options. In February 2004, the Company's shareholders approved a long-term incentive program for employees consisting of stock options, restricted stock units, and stock appreciation rights. The Company expects compensation expense associated with the long-term incentive plan and the SFAS No. 123 adoption to impact the full year 2005 diluted earnings per share from continuing operations by approximately $.15 – $.17.

3 Goodwill and Other Intangible Assets

Intangible assets at September 30 consisted of:

	2004		2003	
	Gross Carrying Amount	**Accumulated Amortization**	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets				
Core and Developed Technology	**$ 297,342**	**$ 108,801**	$ 284,432	$ 91,194
Patents, Trademarks, & Other	**307,376**	**229,047**	302,275	214,874
Total	**$ 604,718**	**$ 337,848**	$ 586,707	$ 306,068
Unamortized intangible assets				
Goodwill[A]	**$ 473,211**		$ 445,854	
Trademarks[B]	**15,137**		15,137	
Total	**$ 488,348**		$ 460,991	

(A) Net of accumulated amortization of $176,058 and $172,909 in 2004 and 2003, respectively.

(B) Net of accumulated amortization of $6,175 in 2004 and 2003.

The change in the carrying amount of goodwill for the year ended September 30, 2004 includes $17,341 related to goodwill recorded in the acquisition of Atto Bioscience, Inc. (see Note 6), as well as foreign currency translation adjustments.

Intangible amortization expense was $31,467, $31,413 and $32,778 in 2004, 2003 and 2002, respectively. The estimated aggregate amortization expense for the fiscal years ending September 30, 2005 to 2009 are as follows: 2005–$31,500; 2006–$28,700; 2007–$28,300; 2008–$27,100; 2009–$25,600.

During the third quarter of fiscal 2003, the Company decided to discontinue the development of certain products and product applications associated with the *BD IMAGN* instrument platform in the Biosciences segment. As a result, the Company recorded an impairment loss of $26,717 in cost of products sold. This loss included the write down of $25,230 of core and developed technology, $960 of indefinite-lived trademarks, and $527 of licenses. The impairment loss was calculated in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." During 2003, additional asset impairment losses on indefinite-lived trademarks amounted to $1,524 and are included in the loss from discontinued operations.

4 Benefit Plans

The Company has defined benefit pension plans covering substantially all of its employees in the United States and certain foreign locations. The Company also provides certain postretirement healthcare and life insurance benefits to qualifying domestic retirees. Postretirement healthcare and life insurance benefit plans in foreign countries are not material.

The measurement date used for the Company's employee benefit plans is September 30.

The Company contributed $37,468 and $112,132 to increase the funding for its pension plans during fiscal 2004 and 2003, respectively.

The change in benefit obligation, change in plan assets, funded status and amounts recognized in the consolidated balance sheets at September 30, 2004 and 2003 for these plans were as follows:

	Pension Plans		Other Postretirement Benefits	
	2004	2003	**2004**	2003
Change in benefit obligation:				
Benefit obligation at beginning of year	**$ 1,058,645**	$ 852,922	**$ 255,106**	$ 222,374
Service cost	**57,013**	44,798	**3,510**	3,159
Interest cost	**62,825**	54,072	**14,492**	14,484
Plan amendments	**761**	894	**—**	—
Benefits paid	**(55,401)**	(49,891)	**(18,282)**	(15,449)
Actuarial loss	**46,726**	129,493	**35,261**	30,538
Other, includes translation	**14,825**	26,357	**(26,409)[A]**	—
Benefit obligation at end of year	**$ 1,185,394**	$ 1,058,645	**$ 263,678**	$ 255,106
Change in plan assets:				
Fair value of plan assets at beginning of year	**$ 685,585**	$ 519,161	**$ —**	$ —
Actual return on plan assets	**56,018**	82,973	**—**	—
Employer contribution	**37,468**	112,132	**—**	—
Benefits paid	**(55,401)**	(49,891)	**—**	—
Other, includes translation	**11,497**	21,210	**—**	—
Fair value of plan assets at end of year	**$ 735,167**	$ 685,585	**$ —**	$ —
Funded status:				
Unfunded benefit obligation	**$ (450,227)**	$ (373,060)	**$ (263,678)**	$ (255,106)
Unrecognized net transition obligation	**1,150**	1,308	**—**	—
Unrecognized prior service cost	**4,321**	3,236	**(25,386)**	(31,619)
Unrecognized net actuarial loss	**420,678**	392,912	**93,033**	88,297
(Accrued) prepaid benefit cost	**$ (24,078)**	$ 24,396	**$ (196,031)**	$ (198,428)
Amounts recognized in the consolidated balance sheets consisted of:				
Prepaid benefit cost	**$ 25,857**	$ 13,684	**$ —**	$ —
Accrued benefit liability	**(201,650)**	(132,220)	**(196,031)**	(198,428)
Intangible asset	**1,168**	3,156	**—**	—
Accumulated other comprehensive loss before income taxes	**150,547**	139,776	**—**	—
Net amount recognized	**$ (24,078)**	$ 24,396	**$ (196,031)**	$ (198,428)

(A) Relates to the adoption of FSP 106-2 as discussed in Note 2.

Foreign pension plan assets at fair value included in the preceding table were $207,765 and $169,473 at September 30, 2004 and 2003, respectively. The foreign pension plan projected benefit obligations were $279,029 and $232,560 at September 30, 2004 and 2003, respectively.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $1,034,223, $796,256 and $597,155 respectively as of September 30, 2004 and $953,406, $721,805, and $591,921, respectively as of September 30, 2003.

Net pension and other postretirement expense included the following components:

	Pension Plans			Other Postretirement Benefits		
	2004	2003	2002	**2004**	2003	2002
Components of net pension and other postretirement costs:						
Service cost	**$ 57,013**	$ 44,798	$ 35,702	**$ 3,510**	$ 3,159	$ 2,609
Interest cost	**62,825**	54,072	49,095	**14,492**	14,484	14,419
Expected return on plan assets	**(51,923)**	(47,190)	(52,560)	**—**	—	—
Amortization of prior service cost	**180**	85	(136)	**(6,233)**	(6,233)	(6,233)
Amortization of loss	**17,586**	13,121	3,064	**4,116**	3,342	1,626
Amortization of net obligation	**132**	11	12	**—**	—	—
Net curtailment gain	**(300)**	(147)	—	**—**	—	—
Net pension and postretirement costs	**$ 85,513**	$ 64,750	$ 35,177	**$ 15,885**	$ 14,752	$ 12,421

Net pension expense attributable to foreign plans included in the preceding table was $16,053, $13,302, and $8,478 in 2004, 2003, and 2002, respectively.

The assumptions used in determining benefit obligations were as follows:

	Pension Plans		Other Postretirement Benefits	
	2004	2003	**2004**	2003
Discount rate:				
U.S. plans	**6.00%**	6.25%	**6.00%**	6.25%
Foreign plans (average)	**4.95%**	4.90%	**—**	—
Expected return on plan assets [(A)]				
U.S. plans	**8.00%**	8.00%	**—**	—
Foreign plans (average)	**6.60%**	6.72%	**—**	—
Rate of compensation increase:				
U.S. plans	**4.25%**	4.25%	**4.25%**	4.25%
Foreign plans (average)	**2.98%**	2.92%	**—**	—

(A) Used in the determination of the subsequent year's net pension expense.

At September 30, 2004 the assumed healthcare trend rates were 10% pre and post age 65, decreasing to an ultimate rate of 5% beginning in 2010. At September 30, 2003 the corresponding assumed healthcare trend rates were 9% pre and post age 65 and an ultimate rate of 5% beginning in 2008. A one percentage point increase in assumed healthcare cost trend rates in each year would increase the accumulated postretirement benefit obligation as of September 30, 2004 by $13,993 and the aggregate of the service cost and interest cost components of 2004 annual expense by $863. A one percentage point decrease in the assumed healthcare cost trend rates in each year would decrease the accumulated postretirement benefit obligation as of September 30, 2004 by $12,359 and the aggregate of the 2004 service cost and interest cost by $762.

Benefit payments expected to be paid under the Company's defined benefit pension plans in the next 10 years follows:

Expected Benefit Payments	
2005	$ 48,592
2006	53,089
2007	58,232
2008	61,213
2009	68,066
2010–2014	410,075
Total	$699,267

The Company's asset allocation for its defined benefit pension plans as of September 30 follows:

Asset Allocation

	2004	2003
Equity securities	**66.9%**	67.5%
Debt securities	**30.1%**	28.9%
Other	**3.0%**	3.6%
Total	**100.0%**	100.0%

Expected Funding

The Company's funding policy for its defined benefit pension plans is to contribute amounts sufficient to meet legal funding requirements, plus any additional amounts that management may determine to be appropriate considering the funded status of the plans, tax consequences, the cash flow generated by the Company and other factors. While management expects that the Company will not be required to fund any of its pension plans in 2005, the Company expects to make discretionary funding contributions to its pension plans in 2005 of $68 million.

Investment Strategy

The Company's investment objective is to achieve superior returns on plan assets, subject to a prudent level of portfolio risk, for the purpose of enhancing the security of benefits for participants. The Company's investments include a broad range of equity and fixed income securities. These investments are diversified in terms of U.S. and international equity securities, short-term and long-term securities, growth and value styles, as well as small and large capitalization stocks. The Company's target allocation percentages are: U.S. equity securities (45%–50%), international securities (12%–18%), fixed-income securities (31%–39%) and cash (0%–3%). U.S. equity securities are held for their expected high return and excess return over inflation. International equity securities are held for their expected high return, as well as for diversification purposes. Fixed-income securities are held for diversification relative to equities. The plans may also hold cash to meet liquidity requirements. Due to short-term fluctuations in market conditions, allocation percentages may temporarily deviate from these target allocation percentages before a rebalancing occurs. Investment risks and returns are measured and monitored on an on-going basis through annual liability measurements and quarterly investment portfolio reviews to determine whether the asset allocation targets continue to represent an appropriate balance of expected risk and reward. Investments within asset classes are to be diversified to achieve broad market participation and to reduce the impact of individual managers or investments.

The expected rate of return on plan assets is based upon management's expectations of long-term average rates of return to be achieved by the underlying investment portfolios. In establishing this assumption, management considers historical and expected rates of return for the asset classes in which the plan's assets are invested, as well as current economic and capital market conditions.

The Company utilizes a service-based approach in applying the provisions of SFAS No. 112, "Employers' Accounting for Postemployment Benefits," for most of its postemployment benefits. Such an approach recognizes that actuarial gains and losses may result from experience that differs from baseline assumptions. Postemployment benefit costs were $18,971, $13,974, and $13,599 in 2004, 2003, and 2002, respectively.

5 Special Charges

The Company recorded special charges of $21,508 in fiscal year 2002.

The Company recorded special charges of $9,937 and $15,760 during the second and third quarters of fiscal 2002, respectively, related to a manufacturing restructuring program in the BD Medical ("Medical") segment that is aimed at optimizing manufacturing efficiencies and improving the Company's competitiveness in the different markets in which it operates. Offsetting special charges in the third quarter of 2002 were $4,189 of reversals of fiscal 2000 special charges. Of the 2002 charges, $19,171 represented exit costs, which included $18,533 related to severance costs. This program involves the termination of 533 employees in China, France, Germany, Ireland, Mexico, and the United States. As of September 30, 2004, one employee remains to be severed. The Company expects the remaining termination to be completed and the related accrued severance to be paid in the first quarter of 2005.

A summary of the 2002 special charge accrual activity follows:

	Severance	Restructuring
Accrual Balance at September 30, 2003	$ 1,800	$ 100
Payments	(1,000)	—
Adjustments	(600)	(100)
Accrual Balance at September 30, 2004	$ 200	$ —

6 Acquisitions

On July 1, 2004, the Company acquired all of the outstanding equity interests in Atto Bioscience, Inc., a privately-held company specializing in optical instrumentation, software, and reagents for real-time analysis of interactions taking place in living cells. The purchase price was approximately $25,800 in cash. The purchase price has been allocated to assets acquired and liabilities assumed based on estimated fair values as follows:

Inventories	$ 1,780
Property, plant and equipment	972
Core and developed technology	5,400
Goodwill	17,341
Other liabilities, net	(793)

In connection with this acquisition, a charge of $1,100 was recorded in connection with purchased in-process research and development. The results of operations of the acquired company were included in the consolidated results of the Company from the acquisition date. Unaudited proforma consolidated results, after giving effect to this acquisition, would not have been materially different from the reported amounts for 2004.

7 Income Taxes

The provision for income taxes is composed of the following charges (benefits):

	2004	2003	2002
Current:			
Domestic:			
Federal	**$ 91,669**	$ 103,825	$ 34,459
State and local, including Puerto Rico	**3,362**	3,880	7,900
Foreign	**106,678**	53,402	47,384
	201,709	161,107	89,743
Deferred:			
Domestic	**(4,308)**	6,209	58,821
Foreign	**(27,037)**	(288)	(449)
	(31,345)	5,921	58,372
	$ 170,364	$ 167,028	$ 148,115

In accordance with SFAS No. 109, "Accounting for Income Taxes," deferred tax assets and liabilities are netted on the balance sheet by separate tax jurisdictions. At September 30, 2004 and 2003, net current deferred tax assets of $100,605 and $77,264, respectively, were included in Prepaid expenses, deferred taxes and other. There were no net non-current deferred tax assets in 2004 and 2003. Net current deferred tax liabilities of $1,346 and $3,385, respectively, were included in Current Liabilities–Income taxes. Net non-current deferred tax liabilities of $61,819 and $67,784, respectively, were included in Deferred Income Taxes and Other. Deferred taxes are not provided on substantially all undistributed earnings of foreign subsidiaries. At September 30, 2004, the cumulative amount of such undistributed earnings indefinitely reinvested outside the United States was $2,080,515. Determining the tax liability that would arise if these earnings were remitted is not practicable.

Deferred income taxes at September 30 consisted of:

	2004		2003	
	Assets	**Liabilities**	Assets	Liabilities
Compensation and benefits	**$ 170,148**	**$ —**	$148,253	$ —
Property and equipment	**—**	**141,382**	—	137,013
Purchase acquisition adjustments	**—**	**11,205**	—	22,513
Other	**133,397**	**113,518**	124,148	104,694
	303,545	**266,105**	272,401	264,220
Valuation allowance	**—**	**—**	(2,086)	—
	$ 303,545	**$ 266,105**	$270,315	$264,220

A reconciliation of the federal statutory tax rate to the Company's effective tax rate follows:

	2004	2003	2002
Federal statutory tax rate	**35.0%**	35.0%	35.0%
State and local income taxes, net of federal tax benefit	**.3**	.4	1.2
Effect of foreign and Puerto Rican income and foreign tax credits	**(9.9)**	(8.4)	(9.3)
Effect of Research, Empowerment Zone, Foreign Sales Corporation/Extraterritorial Income tax benefits	**(2.5)**	(3.0)	(2.2)
Other, net	**(.3)**	(.9)	(1.1)
	22.6%	23.1%	23.6%

The approximate dollar and diluted per-share amounts of tax reductions related to tax holidays in various countries in which the Company does business were: 2004–$55,461 and $.21; 2003–$42,050 and $.16; and 2002–$40,860 and $.15. The tax holidays expire at various dates through 2018.

The Company made income tax payments, net of refunds, of $146,574 in 2004, $110,739 in 2003 and $52,603 in 2002.

The components of Income From Continuing Operations Before Income Taxes follow:

	2004	2003	2002
Domestic, including Puerto Rico	**$291,973**	$355,032	$343,853
Foreign	**460,895**	366,926	283,614
	$752,868	$721,958	$627,467

8 Supplemental Financial Information

Other (Expense) Income, Net

Other expense, net in 2004 totaled $4,792 which included write downs and losses on certain investments of $6,951. These amounts were partially offset by gains on the sale of certain investments of $1,293.

Other expense, net in 2003 totaled $2,725 which included write downs of certain investments of $3,030 and the write-off of intangible assets of $1,841. These charges were partially offset by foreign exchange gains of $1,875 (net of hedging costs).

Other expense, net in 2002 included net losses on investments of $18,552. Included in these charges was a $9,725 loss on an equity investment in a publicly traded company. This investment had been trading below its original cost basis of $15,350 since the end of January 2002. As a result, the Company had deemed this decline in value as being other than temporary and had written down this investment to its fair value as of September 30, 2002. Other expense, net in 2002 also included write downs of assets held for sale and asset abandonments of $14,149. These charges were partially offset by foreign exchange gains of $15,576, net of hedging costs.

Trade Receivables

Allowances for doubtful accounts and cash discounts netted against trade receivables were $52,361 and $46,993 at September 30, 2004 and 2003, respectively.

Inventories	2004	2003
Materials	**$ 96,020**	$ 108,810
Work in process	**132,841**	147,688
Finished products	**509,917**	519,722
	$ 738,778	$ 776,220

Property, Plant and Equipment	2004	2003
Land	**$ 62,039**	$ 62,442
Buildings	**1,162,327**	1,135,177
Machinery, equipment and fixtures	**2,811,679**	2,622,249
Leasehold improvements	**68,177**	60,672
	4,104,222	3,880,540
Less allowances for depreciation and amortization	**2,223,225**	2,048,749
	$ 1,880,997	$ 1,831,791

Supplemental Cash Flow Information

Noncash investing activities for the years ended September 30:

	2004	2003	2002
Stock issued for business acquisitions	**$2**	$97	$241

9 Debt

The components of Short-term debt follow:

	2004	2003
Loans payable:	**$ 33,100**	$ 100,000
Domestic	**15,729**	5,015
Foreign	**460**	16,843
Current portion of long-term debt	**$ 49,289**	$ 121,858

Domestic loans payable consist of commercial paper. Foreign loans payable consist of short-term borrowings from financial institutions. The weighted average interest rates for loans payable were 2.1% and 1.6% at September 30, 2004 and 2003, respectively. As of September 30, 2003, the Company had in place two syndicated credit facilities totaling $900 million in order to provide backup support for our commercial paper program and for other general corporate purposes. These consisted of a $450 million 364-day Credit Agreement expiring in August 2004 and a $450 million Five Year Credit Agreement expiring in August 2006. In August 2004, the Company amended and restated the Five Year Credit Agreement, increasing the amount available from $450 million to $900 million and extending the expiration date from August 2006 to August 2009. At the same time, the Company terminated the $450 million 364-day Credit Agreement due to expire in August 2004. Therefore, total syndicated credit facilities continue to be $900 million. Restrictive covenants include a minimum interest coverage ratio. There were no borrowings outstanding under the facility at September 30, 2004. In addition, the Company had short-term foreign lines of credit pursuant to informal arrangements of approximately $203,000 at September 30, 2004, of which $188,000 was unused.

The components of Long-Term Debt follow:

	2004	2003
Domestic notes due through 2015 (average year-end interest rate: 2.3%–2004; 4.4%–2003)	**$ 10,415**	$ 16,389
Foreign notes due through 2011 (average year-end interest rate:15.0% –2004; 19.1%–2003)	**17**	32
6.90% Notes due October 1, 2006	**102,436**	105,073
7.15% Notes due October 1, 2009	**221,381**	226,092
4.55% Notes due April 15, 2013	**198,169**	198,032
4.90% Notes due April 15, 2018	**199,177**	198,124
8.70% Debentures due January 15, 2025	**104,861**	105,224
7.00% Debentures due August 1, 2027	**168,000**	168,000
6.70% Debentures due August 1, 2028	**167,050**	167,050
	$ 1,171,506	$ 1,184,016

In April 2003, the Company issued $200,000 of 4.55% Notes due on April 15, 2013 and $200,000 of 4.9% Notes due on April 15, 2018. The effective yields of these note issues were 4.71% and 5.03%, respectively, including the results of interest rate hedging activity and other financing costs.

The April 2003 note issues were offered under a registration statement filed in March 2003 with the Securities and Exchange Commission using a “shelf” registration process. This registration was for one or more offerings of debt securities, common stock, warrants, purchase contracts and units, up to a total dollar amount of $750,000, including $100,000 of securities carried forward from a registration filed in October 1997. The remaining availability under the March 2003 shelf registration is $350,000.

Long-term debt balances as of September 30, 2004 and 2003 have been impacted by certain interest rate swaps that have been designated as fair value hedges, as discussed in Note 10.

The aggregate annual maturities of long-term debt during the fiscal years ending September 30, 2006 to 2009 are as follows: 2006–$354; 2007–$102,809; 2008–$393; 2009–$414.

The Company capitalizes interest costs as a component of the cost of construction in progress. The following is a summary of interest costs:

10 Financial Instruments

Foreign Exchange Derivatives

The Company uses foreign exchange forward contracts and currency options to reduce the effect of fluctuating foreign exchange rates on certain foreign currency denominated receivables and payables, third party product sales, and investments in foreign subsidiaries. Gains and losses on the derivatives are intended to offset gains and losses on the hedged transaction. The Company’s foreign currency risk exposure is primarily in Western Europe, Asia Pacific, Japan, and Latin America.

The Company hedges substantially all of its transactional foreign exchange exposures, primarily intercompany payables and receivables, through the use of forward contracts and currency options with maturities of less than 12 months. Gains or losses on these contracts are largely offset by gains and losses on the underlying hedged items. These foreign exchange contracts do not qualify for hedge accounting under SFAS No. 133.

In addition, the Company enters into option and forward contracts to hedge certain forecasted sales that are denominated in foreign currencies. These contracts are designated as cash flow hedges, as defined by SFAS No. 133, and are effective as hedges of these revenues. These contracts are intended to reduce the risk that the Company’s cash flows from certain third party transactions will be adversely affected by changes in foreign currency exchange rates. Changes in the effective portion of the fair value of these contracts are included in other comprehensive income until the hedged sales transactions are recognized in earnings. Once the hedged transaction occurs, the gain or loss on the contract is recognized from accumulated other comprehensive income to revenues. The Company recorded hedge net losses of $9,110 and $1,732 to revenues in fiscal 2004 and 2003, respectively.

Fiscal 2004, 2003 and 2002 revenues are net of hedging costs of $15,124, $9,876 and $10,612, respectively, related to the purchased option contracts. The Company records in Other expense, net, the net premium on the forward contracts, which is excluded from the assessment of hedge effectiveness. This net premium was $618, $993 and $2,209 in fiscal 2004, 2003 and 2002, respectively. All outstanding contracts that were designated as cash flow hedges as of September 30, 2004 will mature by September 30, 2005. As of September 30, 2004, Other Comprehensive Income included an unrealized loss of $5,106, net of tax relating to foreign exchange derivatives that have been designated as cash flow hedges.

	2004	2003	2002
Charged to operations	**$ 44,835**	$ 43,488	$ 40,269
Capitalized	**12,203**	10,346	17,952
	$ 57,038	$ 53,834	$ 58,221

Interest paid, net of amounts capitalized, was $40,730 in 2004, $32,649 in 2003 and $39,153 in 2002.

The Company enters into forward exchange contracts to hedge its net investments in certain foreign subsidiaries. These forward contracts are designated and effective as net investment hedges, as defined by SFAS No. 133. The Company recorded losses of $3,690 and $15,304 in fiscal 2004 and 2003, respectively, to foreign currency translation adjustments in other comprehensive income for the change in the fair value of the contracts.

Interest Rate Derivatives

The Company's policy is to manage interest cost using a mix of fixed and floating debt. The Company has entered into interest rate swaps in which it agrees to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated as either fair value or cash flow hedges, as defined by SFAS No. 133. For fair value hedges, 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. For cash flow hedges, changes in the fair value of the interest rate swaps are offset by changes in other comprehensive income. There was no ineffective portion to the hedges recognized in earnings during the period.

In addition, during 2003, the Company entered into forward rate agreements in order to reduce its exposure to changing interest rates during the period leading up to the issuance of long term debt. These transactions were designated as "highly effective" cash flow hedges, as defined by SFAS No. 133. Upon issuance of the long term debt, a realized loss was recorded in other comprehensive income, which will be reclassified into Interest expense, net over the life of the hedged debt issues. The amount of the loss to be reclassified into earnings within the next 12 months is $62.

For the year ended September 30, 2004, other comprehensive income included an unrealized loss of $7,247, net of tax, relating to interest rate derivatives that have been designated as cash flow hedges.

Fair Value of Financial Instruments

Cash equivalents, short-term investments and short-term debt are carried at cost, which approximates fair value. Other investments are classified as available-for-sale securities. Available-for-sale securities are carried at fair value, with unrecognized gains and losses reported in other comprehensive income, net of taxes. Losses on available-for-sale securities are recognized when a loss is determined to be other than temporary or when realized. In accordance with the provisions of SFAS No. 133, forward exchange contracts and currency options are recorded at fair value. Fair values were estimated based on market prices, where available, or dealer quotes. The fair value of certain long-term debt is based on redemption value. The estimated fair values of the Company's financial instruments at September 30, 2004 and 2003 were as follows:

	2004		2003	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Assets:				
Other investments (non-current)[A]	**$ 9,706**	**$ 26,661**	$ 5,706	$ 22,194
Currency options[B]	**8,618**	**8,618**	9,394	9,394
Forward exchange contracts[B]	**5,805**	**5,805**	—	—
Interest rate swaps[B]	**30,142**	**30,142**	36,881	36,881
Liabilities:				
Forward exchange contracts[C]	**—**	**—**	22,474	22,474
Long-term debt	**1,171,506**	**1,228,259**	1,184,031	1,252,785
Interest rate swaps[C]	**10,912**	**10,912**	2,569	2,569

(A) Included in Other non-current assets.

(B) Included in Prepaid expenses, deferred taxes and other.

(C) Included in Accrued Expenses.

Concentration of Credit Risk

Substantially all of the Company's trade receivables are due from public and private entities involved in the healthcare industry. Due to the large size and diversity of the Company's customer base, concentrations of credit risk with respect to trade receivables are limited. The Company does not normally require collateral. The Company is exposed to credit loss in the event of nonperformance by financial institutions with which it conducts business. However, this loss is limited to the amounts, if any, by which the obligations of the counterparty to the financial instrument contract exceed the obligations of the Company. The Company also minimizes exposure to credit risk by dealing with a diversified group of major financial institutions.

11 Shareholders' Equity

Changes in certain components of shareholders' equity were as follows:

	Series B, ESOP Preferred Stock Issued	Common Stock Issued at Par Value	Capital in Excess of Par Value	Retained Earnings	Unearned ESOP Compensation	Deferred Compensation	Treasury Stock	
							Shares	Amount
Balance at September 30, 2001	$ 40,528	$ 332,662	$ 148,690	$ 3,130,188	$ (12,001)	$ 7,096	(73,425,478)	$ (937,790)
Net income				479,982				
Cash dividends:								
Common ($.39 per share)				(100,521)				
Preferred ($3.835 per share), net of tax benefits				(2,300)				
Common stock issued for:								
Employee stock plans, net			35,679				2,634,109	23,497
Business acquisitions			198				4,767	43
Common stock held in trusts						1,400	(42,141)	(1,400)
Reduction in unearned ESOP compensation for the year					4,154			
Repurchase of common stock							(6,607,800)	(223,961)
Adjustment for redemption provisions	(2,583)		555				304,295	2,028
Balance at September 30, 2002	$ 37,945	$ 332,662	$ 185,122	$ 3,507,349	$ (7,847)	$ 8,496	(77,132,248)	$ (1,137,583)
Net income				547,056				
Cash dividends:								
Common ($.40 per share)				(101,612)				
Preferred ($3.835 per share), net of tax benefits				(2,201)				
Common stock issued for:								
Employee stock plans, net			71,206				5,048,394	45,357
Business acquisitions			97				2,487	24
Common stock held in trusts						478	(18,440)	(478)
Reduction in unearned ESOP compensation for the year					4,154			
Repurchase of common stock							(9,784,200)	(349,998)
Adjustment for redemption provisions	(3,497)		753				355,125	2,744
Balance at September 30, 2003	$ 34,448	$ 332,662	$ 257,178	$ 3,950,592	$ (3,693)	$ 8,974	(81,528,882)	$ (1,439,934)
Net income				467,402				
Cash dividends:								
Common ($.60 per share)				(151,093)				
Preferred ($3.835 per share), net of tax benefits				(2,123)				
Common stock issued for:								
Employee stock plans, net			156,478				7,408,051	71,725
Business acquisitions			149				3,545	35
Common stock held in trusts						1,248	(17,376)	(1,248)
Reduction in unearned ESOP compensation for the year					3,693			
Repurchase of common stock							(9,551,286)	(449,930)
Adjustment for redemption provisions	(3,306)		710				358,653	2,596
Balance at September 30, 2004	**$ 31,142**	**$ 332,662**	**$ 414,515**	**$ 4,264,778**	**$ —**	**$ 10,222**	**(83,327,295)**	**$ (1,816,756)**

Common stock held in trusts represents rabbi trusts in connection with the Company's employee salary and bonus deferral plan and Directors' deferral plan.

Preferred Stock Purchase Rights

In accordance with the Company's shareholder rights plan, each certificate representing a share of outstanding common stock of the Company also represents one Preferred Stock Purchase Right (a "Right"). Each whole Right entitles the registered holder to purchase from the Company one eight-hundredths of a share of Preferred Stock, Series A, par value $1.00 per share, at a price of $67.50. The Rights will not become exercisable unless and until, among other things, a third party acquires 15% or more of the Company's outstanding common stock. The Rights are redeemable under certain circumstances at $.01 per Right and will expire, unless earlier redeemed, on April 25, 2006. There are 500,000 shares of preferred stock designated Series A, none of which has been issued.

12 Other Comprehensive Income (Loss)

The components of Accumulated other comprehensive loss are as follows:

	2004	2003
Foreign currency translation adjustments	**$ (72,671)**	$ (156,193)
Minimum pension liability adjustment	**(93,639)**	(86,909)
Unrealized gains on investments	**9,963**	9,721
Unrealized losses on cash flow hedges	**(12,353)**	(9,892)
	$ (168,700)	$ (243,273)

The income tax provision recorded in fiscal year 2004 and 2003 for the unrealized gains on investments was $285 and $6,700, respectively. The income tax benefits recorded in fiscal years 2004 and 2003 for cash flow hedges were $3,100 and $5,500, respectively. The income tax benefit amounts recorded in fiscal year 2004 and 2003 for the minimum pension liability adjustment were $4,000 and $300, respectively. Income taxes are generally not provided for translation adjustments.

The unrealized gains on investments included in other comprehensive loss for 2002 are net of reclassification adjustments of $8,000, net of tax, for recognized losses as defined by SFAS No. 115. The tax expense associated with these reclassification adjustments was $5,600. Reclassification adjustments related to investments were not significant in 2004 or 2003.

The unrealized losses on cash flow hedges included in other comprehensive loss for 2004 and 2003 are net of reclassification adjustments of $15,000 and $6,800, net of tax, respectively, for realized net hedge losses recorded to revenues. These amounts had been included in Accumulated other comprehensive loss in prior periods. The tax benefit associated with these reclassification adjustments in 2004 and 2003 was $9,200 and $4,800, respectively.

13 Commitments and Contingencies

Commitments

Rental expense for all operating leases amounted to $59,200 in 2004, $53,400 in 2003, and $50,500 in 2002. Future minimum rental commitments on noncancelable leases are as follows: 2005–$42,500; 2006–$37,100; 2007–$30,800; 2008– $18,800; 2009–$12,300 and an aggregate of $21,500 thereafter.

As of September 30, 2004, the Company has certain future capital commitments aggregating to approximately $100,257, which will be expended over the next several years.

Contingencies

Litigation–Other Than Environmental

In 1986, the Company acquired a business that manufactured, among other things, latex surgical gloves. In 1995, the Company divested this glove business. The Company, along with a number of other manufacturers, has been named as a defendant in approximately 523 product liability lawsuits related to natural rubber latex that have been filed in various state and Federal courts. Cases pending in Federal court are being coordinated under the matter *In re Latex Gloves Products Liability Litigation* (MDL Docket No. 1148) in Philadelphia, and analogous procedures have been implemented in the state courts of California, Pennsylvania, New Jersey and New York. Generally, these actions allege that medical personnel have suffered allergic reactions ranging from skin irritation to ana-phylaxis as a result of exposure to medical gloves containing natural rubber latex. Since the inception of this litigation, 415 of these cases have been closed with no liability to BD (411 of which were closed with prejudice), and 45 cases have been settled for an aggregate de minimis amount. The Company is vigorously defending the remaining lawsuits.

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

- In Ohio, *Grant vs. Becton Dickinson et al.* (Case No. 98CVB075616, Franklin County Court), which was filed on July 22, 1998, the Court of Appeals, by order dated June 3, 2003, reversed the trial court's granting of class certification and remanded the case for a determination of whether the class can be redefined, or the action should be dismissed. A new motion for certification of a class has been filed in the trial court, with briefing to be completed in November 2004, and argument expected to be scheduled in the first part of 2005.
- In Oklahoma and South Carolina, cases have been filed on behalf of an unspecified number of healthcare workers seeking class action certification under the laws of these states in state court in Oklahoma, under the caption *Palmer vs. Becton Dickinson et al.* (Case No. CJ-98-685, Sequoyah County District Court), filed on October 27, 1998, and in state court in South Carolina, under the caption *Bales vs. Becton Dickinson et al.* (Case No. 98-CP-40-4343, Richland County Court of Common Pleas), filed on November 25, 1998.
- In Illinois, the matter of *McCaster vs. Becton Dickinson* (Case No. 04L 012544), which had previously been withdrawn without prejudice when the plaintiff failed to overturn the trial court's denial of class certification, was refiled in the Circuit Court of Cook County on November 5, 2004. This matter must be tried as an individual personal injury case in the trial court before the issue of class certification can be raised on appeal. No trial date has been set at this time.

The Company continues to oppose class action certification in these cases and will continue to vigorously defend these lawsuits, including pursuing all appropriate rights of appeal.

BD has insurance policies in place, and believes that a substantial portion of potential liability, if any, in the latex and class action matters would be covered by insurance. In order to protect our rights to additional coverage, the Company filed an action for declaratory judgment under the caption *Becton Dickinson and Company vs. Adriatic Insurance Company et al*. (Docket No. MID-L-3649-99MT, Middlesex County Superior Court) in New Jersey state court. The Company has withdrawn this action, with the right to refile, so that settlement discussions with the insurance companies may proceed.

The Company has established accruals to cover reasonably anticipated defense costs in all product liability lawsuits, including the needlestick class action and latex matters. With regard to the latex matters, the Company recorded special charges in 2000 and 1998 of $20 million and $12 million, respectively. Based on a review of available information at that time, these charges were recorded to reflect the minimum amount within the then most probable range of current estimates of litigation defense costs. The Company does not anticipate incurring sig-nificant one-time charges, similar to 2000 and 1998, relating to the latex matters in future years.

On November 6, 2003, a class action complaint was filed against BD in the Supreme Court of British Columbia under the caption *Danielle Cardozo, by her litigation guardian Darlene Cardozo v. Becton, Dickinson and Company* (Civil Action No. S 83059) alleging personal injury to all persons in British Columbia that received test results generated by a *BD ProbeTec* ET instrument. The complaint seeks money damages in an unspecified amount. No additional or related claims have been filed against BD. The Company is assessing this action, and intends to vigorously defend this matter.

The Company has been informed by the Civil Division of the U.S. Department of Justice (the "Civil Division") that a private party has filed a qui tam complaint against BD alleging violations of the Federal False Claims Act ("FCA"). Qui tam is a provision of the FCA that allows private citizens to file a lawsuit in the name of the U.S. government. Under the FCA, the Civil Division has a certain period of time in which to decide whether to join the claim against BD as an additional plaintiff; if not, the private plaintiff is free to pursue the claim on its own. To BD's knowledge, no decision has yet been made by the Civil Division whether to join this claim. As of this date, no complaint has been served upon BD, and this matter is currently under seal by the Court. The Company believes that our business practices have complied with all applicable laws.

On August 3, 2004, BD was served with an administrative subpoena issued by the United States Attorney's Office in Dallas, Texas (the "U.S. Attorney") in connection with an investigation which the U.S. Attorney is conducting of transactions between another company and certain of its suppliers, including BD. BD believes that its transactions with the other company have fully complied with the law and that BD is not currently a target of the investigation. BD is cooperating fully in responding to the subpoena.

On January 23, 2004, a suit was brought by C.A. Greiner & Soehne GmbH ("Greiner") against BD UK Limited in the Patent Court of the Central London County Court in London, England. The plaintiff asserts that the *BD Hemogard* cap products and the *BD Vacutainer* Plus Plastic Citrate Tubes infringe certain European patents owned by Greiner. A trial date has been set for May 9, 2005. BD believes these allegations are without merit and intends to vigorously defend this lawsuit.

On May 28, 2004, Therasense, Inc. ("Therasense") filed suit against BD in the U.S. District Court for the Northern District of California (Case Number: C 04-02123 WDB) asserting that BD's blood glucose monitoring products infringe certain Therasense patents. On August 10, 2004, in response to a motion filed by Therasense in the U.S. District Court for the District of Massachusetts, the court transferred to the court in California an action previously filed by BD against Therasense requesting a declaratory judgment that BD's products do not infringe the Therasense patents and that the Therasense patents are invalid. BD believes that Therasense's infringement allegations are without merit and intends to vigorously defend the lawsuit.

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.

Given the uncertain nature of litigation generally, the Company is not able to estimate the amount or range of loss that could result from an unfavorable outcome of the litigation to which the Company is a party. In accordance with U.S. generally accepted accounting principles, the Company establishes accruals to the extent probable future losses are estimable. While it believes that the claims against BD are without merit and, upon resolution, should not have a material adverse effect on BD, in view of the uncertainties discussed above, the Company could incur charges in excess of any currently established accruals and, to the extent available, excess liability insurance. Accordingly, in the opinion of management, any such future charges, individually or in the aggregate, could have a material adverse effect on BD's consolidated results of operations and consolidated net cash flows in the period or periods in which they are recorded or paid. The Company continues to believe that it has a number of valid defenses to each of the suits pending against BD and are engaged in a vigorous defense of each of these matters.

Environmental Matters

The Company believes that its operations comply in all material respects with applicable laws and regulations. The Company is a party to a number of Federal proceedings in the United States brought under the Comprehensive Environment Response, Compensation and Liability Act, also known as "Superfund," and similar state laws. For all sites, there are other potentially responsible parties that may be jointly or severally liable to pay all cleanup costs. The Company accrues costs for estimated environmental liabilities based upon our best estimate within the range of probable losses, without considering possible third-party recoveries. While the Company believes that, upon resolution, the environmental claims against BD should not have a material adverse effect on BD, the Company could incur charges in excess of presently established accruals and, to the extent available, excess liability insurance. Accordingly, in the opinion of management, any such future charges, individually or in the aggregate, could have a material adverse effect on BD's consolidated results of operations and consolidated net cash flows in the period or periods in which they are recorded or paid.

14 Stock Plans

Stock Option Plans

The Company has employee stock option plans under which options have been granted to purchase shares of the Company's common stock at prices established by the Compensation and Benefits Committee of the Board of Directors. In addition, the Non-Employee Directors 2000 Stock Option Plan made available common shares for the granting of options. Each of these plans was terminated with respect to future grants effective upon shareholder approval of the 2004 Employee and Director Equity-Based Compensation Plan in February 2004.

A summary of changes in outstanding options is as follows:

	2004		2003		2002	
	Options for Shares	Weighted Average Exercise Price	Options for Shares	Weighted Average Exercise Price	Options for Shares	Weighted Average Exercise Price
Balance at October 1	**30,116,301**	**$ 28.07**	30,388,618	$ 26.02	28,271,329	$ 23.80
Granted	**4,793,271**	**39.00**	5,391,172	30.02	5,460,162	32.45
Exercised	**(7,383,786)**	**23.55**	(5,004,027)	17.26	(2,570,626)	13.53
Forfeited, canceled or expired	**(598,981)**	**32.63**	(659,462)	31.59	(772,247)	31.98
Balance at September 30	**26,926,805**	**$ 31.15**	30,116,301	$ 28.07	30,388,618	$ 26.02
Exercisable at September 30	**16,626,316**	**$ 29.00**	19,389,311	$ 26.33	19,682,329	$ 22.92
Weighted average fair value of options granted	**$ 13.25**		$ 10.20		$ 11.59	
Available for grant at September 30	**8,873,890**		11,289,756		16,020,386	

The maximum term of options is ten years. Options outstanding as of September 30, 2004 expire on various dates from January 2005 through August 2014.

	September 30, 2004				
	Options Outstanding			Options Exercisable	
Range Of Option Exercise Price	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number Exercisable	Weighted Average Exercise Price
$ 8.64 – $12.55	298,540	$12.55	0.3 Years	298,540	$12.55
18.83 –25.63	3,905,171	23.24	2.1 Years	3,905,171	23.24
27.25 –34.96	16,178,519	30.67	6.5 Years	10,599,435	30.53
35.03 –41.64	6,447,315	37.75	7.9 Years	1,823,170	35.15
47.61 –50.85	97,260	48.78	9.6 Years	—	—
	26,926,805	$31.15	6.4 Years	16,626,316	$29.00

As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), the Company follows the disclosure-only provision of the Statement and applies APB Opinion No. 25 and related interpretations in accounting for its employee stock plans. See Note 2 for more information about the SFAS No. 123 accounting treatment of equity-based compensation subsequent to September 30, 2004.

Other Stock Plans

In 2004, the Company adopted the 2004 Employee and Director Equity-Based Compensation Plan (the "2004 Plan"), which provides for long-term incentive compensation to employees and directors consisting of: stock options, stock appreciation rights, performance-based awards, restricted stock units and other stock awards. As of September 30, 2004, 8,873,890 shares remain available for award under the original 9,000,000 share authorization.

The Company has a compensatory Stock Award Plan which allows for grants of common shares to certain key employees. Distribution of 25% or more of each award is deferred until after retirement or involuntary termination, upon which the deferred portion of the award is distributable in five equal annual installments. The balance of the award is distributable over five years from the grant date, subject to certain conditions. During 2004, 50,976 shares were distributed. In 2004, 213,106 shares were granted. No awards were granted in 2003 or 2002. At September 30, 2004, awards for 321,131 shares were outstanding. In February 2004, this plan was terminated with respect to future grants upon the adoption of the 2004 Plan.

The Company has a Restricted Stock Plan for Non-Employee Directors which reserves for issuance 300,000 shares of the Company's common stock. No restricted shares were issued in 2004, 2003, or 2002.

The Company has a Directors' Deferral Plan which provides a means to defer director compensation, from time to time, on a deferred stock or cash basis. As of September 30, 2004, 157,670 shares were held in trust, of which 11,576 shares represented Directors' compensation in 2004, in accordance with the provisions of the Plan. Under the Plan, which is unfunded, directors have an unsecured contractual commitment from the Company to pay directors the amounts due to them under the Plan.

The Company also has a Deferred Compensation Plan that allows certain highly-compensated employees, including executive officers, to defer salary, annual incentive awards and certain equity-based compensation. As of September 30, 2004, 178,447 shares were issuable under this plan.

15 Earnings Per Share

For the years ended September 30, 2004, 2003, and 2002, the following table sets forth the computations of basic and diluted earnings per share (shares in thousands):

	2004	2003	2002
Income from continuing operations	**$ 582,504**	$554,930	$479,352
Preferred stock dividends	**(2,115)**	(2,344)	(2,553)
Income from continuing operations available to common shareholders[A]	**580,389**	552,586	476,799
Preferred stock dividends–using "if converted" method	**2,115**	2,344	2,553
Additional ESOP contribution–using "if converted" method	**(52)**	(502)	(613)
Income from continuing operations available to common shareholders after assumed conversions[B]	**$ 582,452**	$554,428	$478,739
Average common shares outstanding[C]	**252,011**	254,497	258,016
Dilutive stock equivalents from stock plans	**7,948**	5,402	6,076
Shares issuable upon conversion of preferred stock	**3,378**	3,736	4,091
Average common and common equivalent shares outstanding– assuming dilution[D]	**263,337**	263,635	268,183
Basic earnings per share–income from continuing operations (A divided by C)	**$ 2.30**	$ 2.17	$ 1.85
Diluted earnings per share–income from continuing operations (B divided by D)	**$ 2.21**	$ 2.10	$ 1.79

7,384 common shares and 5,004 common shares were issued upon the exercise of stock options for the years ended September 30, 2004 and 2003, respectively.

16 Segment Data

The Company's organizational structure is based upon its three principal business segments: BD Medical ("Medical"), BD Diagnostics ("Diagnostics"), and BD Biosciences ("Biosciences").

The major products in the Medical segment are hypodermic products, specially designed devices for diabetes care, prefillable drug delivery systems, infusion therapy products, elastic support products and thermometers. The Medical segment also includes disposable scrubs, specialty needles, and surgical blades. The major products in the Diagnostics segment are clinical and industrial microbiology products, sample collection products, specimen management systems, hematology instruments, and other diagnostic systems, including immunodiagnostic test kits. This segment also includes consulting services and customized, automated bar-code systems for use in laboratories. The major products in the Biosciences segment are flow cytometry systems for cellular analysis, reagents and tissue culture labware.

The Company evaluates performance based upon operating income. Segment operating income represents revenues reduced by product costs and operating expenses.

Distribution of products is both through distributors and directly to hospitals, laboratories and other end users. Sales to a distributor which supplies the Company's products to many end users accounted for approximately 11% of revenues in 2004, 2003 and 2002, respectively and included products from the Medical and Diagnostics segments. No other customer accounted for 10% or more of revenues in each of the three years presented.

Revenues	**2004**	2003	2002
Medical	**$ 2,680,165**	$ 2,456,876	$2,151,374
Diagnostics	**1,531,639**	1,373,651	1,236,319
Biosciences	**722,941**	632,982	572,666
Total[A]	**$ 4,934,745**	$ 4,463,509	$3,960,359
Segment Operating Income			
Medical	**$ 566,582**[I]	$ 556,284	$ 470,168[C]
Diagnostics	**359,370**	302,071	251,004[D]
Biosciences	**155,888**	100,597[B]	115,804[E]
Total Segment Operating Income	**1,081,840**	958,952	836,976
Unallocated Expenses[F]	**(328,972)**[H]	(236,994)	(209,509)
Income From Continuing Operations Before Income Taxes	**$ 752,868**	$ 721,958	$ 627,467
Segment Assets			
Medical	**$ 2,703,643**	$ 2,738,082	$2,536,185
Diagnostics	**1,217,620**	1,128,878	1,187,710
Biosciences	**706,728**	717,455[B]	717,493
Total Segment Assets	**4,627,991**	4,584,415	4,441,388
Corporate and All Other[G]	**1,060,894**	792,535	374,252
Discontinued Operations	**63,694**	195,303	213,343
Total	**$ 5,752,579**	$ 5,572,253	$5,028,983
Capital Expenditures			
Medical	**$ 158,728**	$ 167,168	$ 182,506
Diagnostics	**79,782**	61,590	41,780
Biosciences	**16,560**	20,287	18,716
Corporate and All Other	**10,648**	10,173	12,703
Total	**$ 265,718**	$ 259,218	$ 255,705
Depreciation and Amortization			
Medical	**$ 187,254**	$ 174,711	$ 150,939
Diagnostics	**97,731**	86,882	89,311
Biosciences	**55,878**	55,896	42,172
Corporate and All Other	**16,361**	18,270	14,154
Total	**$ 357,224**	$ 335,759	$ 296,576

(A) Intersegment revenues are not material.
(B) Includes $26,717 in 2003 of impairment charges discussed in Note 3.
(C) Includes $22,600 in 2002 for special charges, net of reversals discussed in Note 5.
(D) Includes $(468) in 2002 for special charge reversals discussed in Note 5.
(E) Includes $(447) in 2002 for special charge reversals discussed in Note 5.
(F) Includes interest, net; foreign exchange; corporate expenses; gains on sales of investments; and certain legal defense costs. Also includes special charge reversals of $(177) in 2002, as discussed in Note 5.
(G) Includes cash and investments and corporate assets.
(H) Includes the litigation settlement of $100,000 as discussed in Note 17.
(I) Includes the $45,024 charge related to blood glucose monitoring products as discussed in Note 20.

Revenues by Organizational Units	2004	2003	2002
BD Medical			
Medical Surgical Systems	**$ 1,540,723**	$ 1,426,202	$ 1,299,229
Diabetes Care	**586,190**	542,327	473,825
Pharmaceutical Systems	**497,421**	435,624	326,346
Ophthalmic Systems	**55,831**	52,723	51,974
	$ 2,680,165	$ 2,456,876	$ 2,151,374
BD Diagnostics			
Preanalytical Systems	**$ 787,996**	$ 707,079	$ 637,194
Diagnostic Systems	**743,643**	666,572	599,125
	$ 1,531,639	$ 1,373,651	$ 1,236,319
BD Biosciences			
Immunocytometry Systems	**$ 397,151**	$ 332,386	$ 294,718
Pharmingen	**135,650**	121,173	110,125
Discovery Labware	**190,140**	179,423	167,823
	$ 722,941	$ 632,982	$ 572,666
Total	**$ 4,934,745**	$ 4,463,509	$ 3,960,359

Geographic Information

The countries in which the Company has local revenue-generating operations have been combined into the following geographic areas: the United States, including Puerto Rico, and International, which is composed of Europe, Canada, Latin America, Japan and Asia Pacific.

Revenues to unaffiliated customers are based upon the source of the product shipment. Long-lived assets, which include net property, plant and equipment, are based upon physical location.

	2004	2003	2002
Revenues			
United States	**$ 2,435,889**	$ 2,296,318	$ 2,118,691
International	**2,498,856**	2,167,191	1,841,668
Total	**$ 4,934,745**	$ 4,463,509	$ 3,960,359
Long-Lived Assets			
United States	**$ 1,687,276**	$ 1,652,508	$ 1,651,927
International	**1,203,632**	1,188,509	1,069,533
Corporate	**220,337**	227,777	216,141
Total	**$ 3,111,245**	$ 3,068,794	$ 2,937,601

17 Litigation Settlement

On July 2, 2004, the Company entered into an agreement to settle the lawsuit filed against it by Retractable Technologies, Inc ("RTI"). RTI alleged that the Company and other defendants conspired to exclude it from the market and to maintain the Company's market share by entering into long-term contracts in violation of state and Federal antitrust laws. RTI also asserted claims for business disparagement, common law conspiracy, and tortious interference with business relationships. The settlement was paid on July 6, 2004 and was in exchange for a general release of all claims (excluding certain patent matters) and a dismissal of the case with prejudice, which means this case cannot be re-filed. The Company recorded the related pretax charge of $100,000 ($63,000 after taxes and approximately 24 cents per diluted share) in the Company's results of operations in the third quarter of 2004.

18 Discontinued Operations

On September 28, 2004, the Company's Board of Directors approved a plan to sell the Clontech unit of the BD Biosciences segment. The Company recorded a charge of approximately $124 million ($115 million after taxes) in connection with the planned sale. The charge relates to the write down of Clontech net assets to their estimated fair value. Clontech's results of operations are now reported as Discontinued Operations for all periods presented in the accompanying Consolidated Statements of Income. Clontech's statement of financial position has been reclassified as Assets held for sale and Liabilities held for sale, respectively, in the accompanying Consolidated Balance Sheets for all periods presented.

Results of Discontinued Operations for the years ended September 30, 2004, 2003 and 2002 are as follows:

	2004	2003	2002
Revenues	**$ 60,513**	$ 64,431	$72,710
Income (loss) from operations	**$ 1,037**	$ (5,278)	$ 1,122
Loss on write down of net assets	**(124,100)**	(6,974)	—
Loss (income) from discontinued operations before income taxes	**(123,063)**	(12,252)	1,122
Income tax benefit (provision)	**7,961**	4,378	(492)
Net (loss) income from discontinued operations	**$ (115,102)**	$ (7,874)	$ 630

Assets held for sale included the following at September 30:

	2004	2003
Current assets	$ 26,676	$ 30,413
Property, plant and equipment	9,562	12,980
Goodwill	—	90,934
Core and developed technology	15,256	49,445
Other intangible assets	8,785	9,175
Other assets	3,415	2,356
Assets held for sale	$ 63,694	$ 195,303

Liabilities held for sale included the following at September 30:

	2004	2003
Current liabilities	$ 13,522	$ 9,046
Long-term liabilities	659	16,068
Liabilities held for sale	$ 14,181	$ 25,114

The statutory tax rate of 35.0% is reduced in 2004 by 26.3% relating to the non-deductibility of the goodwill writeoff, and 2.2% of other items, net to arrive at the effective tax rate of 6.5%.

The (benefit) provision for income taxes related to discontinued operations is composed of the following charges (benefits):

	2004	2003	2002
Current:	$ 3,351	$ (356)	$ (1,443)
Domestic:			
Federal			
State and local, including Puerto Rico	—	—	—
Foreign	4,188	2,928	3,105
	7,539	2,572	1,662
Deferred:			
Domestic	(15,500)	(6,950)	(1,170)
Foreign	—	—	—
	(15,500)	(6,950)	(1,170)
	$ (7,961)	$ (4,378)	$ 492

The components of (Loss) Income from Discontinued Operations Before Tax follow:

	2004	2003	2002
Domestic, including Puerto Rico	$ (134,885)	$ (20,226)	$ (7,257)
Foreign	11,822	7,974	8,379
	$ (123,063)	$ (12,252)	$ 1,122

19 Employee Stock Ownership Plan/Savings Incentive Plan

The Company has an Employee Stock Ownership Plan ("ESOP") as part of its voluntary defined contribution plan (Savings Incentive Plan) covering most domestic employees. The ESOP is intended to satisfy all or part of the Company's obligation to match 50% of employees' contributions, up to a maximum of 3% of each participant's salary. To accomplish this, in 1990, the ESOP borrowed $60,000 in a private debt offering and used the proceeds to buy the Company's ESOP convertible preferred stock. Each share of preferred stock has a guaranteed liquidation value of $59 per share and is convertible into 6.4 shares of the Company's common stock. The preferred stock pays an annual dividend of $3.835 per share, a portion of which is used by the ESOP, together with the Company's contributions, to repay the ESOP debt. Since the ESOP debt is guaranteed by the Company, it has been reflected on the consolidated balance sheet as debt with a related amount shown in the shareholders' equity section as Unearned ESOP compensation. In July 2004, the Company repaid the remaining ESOP debt in full.

The amount of ESOP expense recognized is equal to the cost of the preferred shares allocated to plan participants and the ESOP interest expense for the year, reduced by the amount of dividends paid on the preferred stock that are utilized by the plan to service the debt.

Selected financial data pertaining to the ESOP/Savings Incentive Plan follows:

	2004	2003	2002
Total expense of the Savings Incentive Plan	$ 2,252	$ 2,626	$ 2,737
Compensation expense (included in total expense above)	$ 2,137	$ 2,168	$ 1,863
Dividends on ESOP shares used for debt service	$ 1,592	$ 2,344	$ 2,553
Number of preferred shares allocated at September 30	503,011	500,807	476,938

The Company guarantees employees' contributions to the fixed income fund of the Savings Incentive Plan. The amount guaranteed was $127,979 at September 30, 2004.

20 Blood Glucose Monitoring Charges

The Company recorded a pre-tax charge of $45,024 to cost of products sold in the Company's results of operations during 2004 related to its blood glucose monitoring ("BGM") products, which included a reserve of $6,473 in connection with the voluntary product recall of certain lots of BGM test strips and the write-off of $29,803 of certain test strip inventories. Based upon internal testing, it was determined that certain BGM test strip lots, produced by BD's manufacturing partner, were not performing within BD's specifications. As a result, the Company decided to recall the affected lots and dispose of the non-conforming product in inventory. In addition, the charge reflects BD's decision to focus its sales and marketing efforts on the *BD Logic* and Paradigm Link® blood glucose meters in the United States, and to discontinue support of the *BD Latitude* system product offering in the United States, resulting in a write-off of $8,748 of related blood glucose meters and fixed assets. As of September 30, 2004, a $2,361 reserve remains for product to be returned related to this voluntary product recall, which is expected to be fully exhausted in 2005.

Quarterly Data (unaudited)
Thousands of dollars, except per-share amounts

	2004				
	1st	**2nd**	**3rd**	**4th**	**Year**
Revenues	**$ 1,185,120**	**$ 1,253,633**	**$ 1,242,714**	**$ 1,253,278**	**$ 4,934,745**
Gross Profit	**550,865**	**624,117**	**627,101**	**632,300**	**2,434,383 (B)**
Income from Continuing Operations, Net of Tax	**124,925**	**164,083**	**110,162**	**183,334**	**582,504 (B) (C)**
Earnings Per Share:					
Income from Continuing Operations	**.49**	**.65**	**.43**	**.73**	**2.30**
Loss from Discontinued Operations	**—**	**—**	**—**	**(.46)**	**(.46)**
Basic Earnings Per Share	**.50**	**.65**	**.43**	**.27**	**1.85**
Income from Continuing Operations	**.48**	**.62**	**.42**	**.70**	**2.21**
Loss from Discontinued Operations	**—**	**—**	**—**	**(.44)**	**(.44)**
Diluted Earnings Per Share	**.48**	**.62**	**.41**	**.26**	**1.77**

	2003				
	1st	2nd	3rd	4th	Year
Revenues	$ 1,035,901	$ 1,116,715	$ 1,149,516	$ 1,161,377	$ 4,463,509
Gross Profit	492,664	549,297	541,139	583,772	2,166,872 (A)
Income from Continuing Operations, Net of Tax	114,319	143,571	134,779	162,261	554,930 (A)
Earnings Per Share:					
Income from Continuing Operations	.45	.56	.53	.64	2.17
Loss from Discontinued Operations	—	(.01)	(.02)	—	(.03)
Basic Earnings Per Share	.44	.56	.51	.64	2.14
Income from Continuing Operations	.43	.54	.51	.62	2.10
Loss from Discontinued Operations	—	(.01)	(.02)	—	(.03)
Diluted Earnings Per Share	.43	.54	.49	.61	2.07

(A) Includes $26,717 of impairment charges in the third quarter, as discussed in Note 2.

(B) Includes the $45,024 charge related to blood glucose monitoring (BGM) products in the first quarter, as discussed in Note 20.

(C) Includes the litigation settlement of $100,000 in the third quarter, as discussed in Note 17.

Corporate Information

Annual Meeting
1:00 p.m.
Tuesday, February 1, 2005
Hilton Short Hills
41 John F. Kennedy Parkway
Short Hills, NJ 07078

Direct Stock Purchase Plan
The Direct Stock Purchase Plan established through EquiServe Trust Company, N.A., enhances the services provided to existing shareholders and facilitates initial investments in BD shares. Additional information may be obtained by calling EquiServe Trust Company, N.A. at 1-866-238-5345.

NYSE Symbol
BDX

On March 18, 2004, Edward J. Ludwig, Chairman, President and Chief Executive Officer, submitted to the NYSE the Written Affirmation required by the rules of the NYSE certifying that he was not aware of any violations by BD of NYSE Corporate Governance listing standards.

The certifications of Mr. Ludwig and John R. Considine, Executive Vice President and Chief Financial Officer, made pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 regarding the quality of BD's public disclosure, have been filed as exhibits to the Company's 2004 Annual Report on Form 10-K.

Transfer Agent and Registrar
EquiServe Trust Company, N.A.
P.O. Box 2500
Jersey City, NJ 07303-2500
Phone: 1-800-519-3111
E-mail: equiserve@equiserve.com
Internet: www.equiserve.com

Shareholder Information
BD's Statement of Corporate Governance Principles, BD's Business Conduct and Compliance Guide, the charters of BD's Committees of the Board of Directors, and BD's reports and statements filed with or furnished to the Securities and Exchange Commission, are posted on BD's website at www.bd.com/investors/. Shareholders may receive, without charge, printed copies of these documents, including BD's 2004 Annual Report to the Securities and Exchange Commission on Form 10-K, by contacting:

Investor Relations
BD
1 Becton Drive
Franklin Lakes, NJ 07417-1880
Phone: 1-800-284-6845
Internet: www.bd.com

Independent Auditors
Ernst & Young LLP
5 Times Square
New York, NY 10036-6530
Phone: 212-773-3000
Internet: www.ey.com

Certain BD Biosciences products are intended for research use only, and not for use in diagnostic or therapeutic procedures.

Common Stock Prices and Dividends (per common share)

By Quarter	2004			2003		
	High	**Low**	**Dividends**	High	Low	Dividends
First	**$ 41.45**	**$ 35.71**	**$0.15**	$ 31.70	$ 28.56	$0.10
Second	**49.89**	**41.03**	**0.15**	35.77	29.45	0.10
Third	**53.25**	**47.74**	**0.15**	40.43	31.90	0.10
Fourth	**51.81**	**46.41**	**0.15**	40.00	35.49	0.10

SUBSIDIARIES OF BECTON, DICKINSON AND COMPANY

Exhibit 21 to Form 10-K filed December 13, 2004

<TABLE>
<CAPTION>

Name of Subsidiary	State of Jurisdiction of Incorporation	Percentage of Voting Securities Owned
<S>	<C>	<C>
Atto BioScience, Inc.	Delaware	100%
B-D (Cambridge U.K.) Ltd.	United Kingdom	100% (1)
BD Biosciences, Systems and Reagents Inc.	California	100%
BD Holding S. de R.L. de C.V.	Mexico	100% (1)
BD Matrex Holdings, Inc.	Delaware	100%
BD Ophthalmic Systems Limited	United Kingdom	100% (1)
BDX INO LLC	Delaware	100%
Becton Dickinson A/S	Denmark	100% (1)
Becton Dickinson AcuteCare Holdings, Inc.	Delaware	100%
Becton Dickinson AcuteCare, Inc.	Massachusetts	100% (1)
Becton Dickinson Advanced Pen Injection Systems GmbH	Switzerland	100% (1)
Becton Dickinson Argentina S.R.L.	Argentina	100% (1)
Becton Dickinson Asia Limited	Hong Kong	100% (1)
Becton Dickinson Asia Pacific Limited	British Virgin Islands	100%
Becton Dickinson Austria GmbH	Austria	100% (1)
Becton Dickinson Benelux N.V.	Belgium	100% (1)
Becton Dickinson Canada Inc.	Canada	100% (1)
Becton Dickinson Caribe Ltd.	Cayman Islands	100% (1)
Becton Dickinson Catheter Systems Singapore Pte Ltd.	Singapore	100% (1)
Becton Dickinson Cellular Imaging Systems B.V.	Netherlands	100% (1)
Becton Dickinson Colombia Ltda.	Colombia	100% (1)
Becton Dickinson Critical Care Systems Pte Ltd.	Singapore	100% (1)
Becton Dickinson Czechia s.r.o.	Czech Republic	100% (1)
Becton Dickinson del Uruguay S.A.	Uruguay	100% (1)
Becton Dickinson Distribution Center N.V.	Belgium	100% (1)
Becton Dickinson East Africa Ltd.	Kenya	100% (1)
Becton Dickinson Foreign Sales Corporation	Barbados	100% (1)
Becton Dickinson Guatemala S.A.	Guatemala	100% (1)
Becton Dickinson Hellas S.A.	Greece	100% (1)
Becton Dickinson Holdings GmbH	Germany	100% (1)
Becton Dickinson Hungary Kft.	Hungary	100% (1)
Becton Dickinson India Private Limited	India	100% (1)
Becton Dickinson Infusion Therapy AB	Sweden	100% (1)
Becton Dickinson Infusion Therapy B.V.	Netherlands	100% (1)
Becton Dickinson Infusion Therapy GmbH	Germany	100% (1)
Becton Dickinson Infusion Therapy Holdings AB	Sweden	100% (1)
Becton Dickinson Infusion Therapy Holdings Inc.	Delaware	100%
Becton Dickinson Infusion Therapy Systems Inc., S.A. de C.V.	Mexico	100% (1)
Becton Dickinson Infusion Therapy UK	United Kingdom	100% (1)
Becton Dickinson Infusion Therapy Systems Inc.	Delaware	100%
Becton Dickinson Infusion Therapy Holdings UK Limited	United Kingdom	100% (1)
Becton Dickinson Insulin Syringe, Ltd.	Cayman Islands	100% (1)
Becton Dickinson Ithalat Ihracat Limited Sirketi	Turkey	100% (1)
Becton Dickinson Korea Holding, Inc.	Delaware	100%
Becton Dickinson Malaysia, Inc.	Oregon	100%
Becton Dickinson (Mauritius) Limited	Mauritius	100%
Becton Dickinson Medical (S) Pte Ltd.	Singapore	100% (1)
Becton Dickinson Medical Devices Co. Shanghai Ltd.	P.R.C.	100% (1)
Becton Dickinson Medical Devices Co. Ltd., Suzhou	P.R.C.	99%
Becton Dickinson Medical Products Pte. Ltd.	Singapore	100%
Becton Dickinson Ltd.	New Zealand	100% (1)
Becton Dickinson O.Y.	Finland	100% (1)
Becton Dickinson Overseas Services Ltd.	Nevada	100%
Becton Dickinson Pen Limited	Ireland	100% (1)
Becton Dickinson Penel Limited	Cayman Islands	100% (1)
Becton Dickinson Philippines, Inc.	Philippines	100% (1)
Becton Dickinson Polska Ltd. Sp. z.o.o.	Poland	100% (1)
Becton Dickinson Pty. Ltd.	Australia	100% (1)
Becton Dickinson (Pty) Ltd.	South Africa	100% (1)
Becton Dickinson Sdn. Bhd.	Malaysia	100% (1)
Becton Dickinson Service (Pvt.) Ltd.	Pakistan	100%
Becton Dickinson Sample Collection GmbH	Switzerland	100% (1)
Becton Dickinson (Thailand) Limited	Thailand	100% (1)
Becton Dickinson Venezuela, C.A.	Venezuela	100% (1)

Becton Dickinson Venture LLC	Delaware	100%	
BD Ventures LLC	New Jersey	100%	
Becton Dickinson Worldwide, Inc.	Delaware	100%	
Becton Dickinson, S.A.	Spain	100%	(1)
Becton Dickinson (Royston) Limited	United Kingdom	100%	(1)
Becton, Dickinson A.G.	Switzerland	100%	(1)
Becton, Dickinson Aktiebolag	Sweden	100%	(1)
Becton, Dickinson and Company, Ltd.	Ireland	100%	(1)
Becton, Dickinson B.V.	Netherlands	100%	(1)
Becton, Dickinson de Mexico, S.A. de C.V.	Mexico	100%	(1)
Becton Dickinson France S.A.S.	France	100%	(1)
Becton Dickinson GmbH	Germany	100%	(1)
Becton, Dickinson Industrias Cirurgicas, Ltda.	Brazil	100%	(1)
Becton, Dickinson Italia S.p.A.	Italy	100%	(1)

<S>	<C>	<C>	
B-D U.K. Holdings Limited	United Kingdom	100%	(1)
Becton Dickinson U.K. Limited	United Kingdom	100%	(1)
Bedins Vermont Indemnity Company	Vermont	100%	
Benex Ltd.	Ireland	100%	(1)
BioVenture Centre Pte. Ltd.	Singapore	92%	
Boin Medica Co., Ltd.	Korea	100%	(1)
BTP Immunization Systems, LLC	New Jersey	100%	
Clontech Laboratories, Inc.	Delaware	100%	
Clontech Laboratories UK Limited	United Kingdom	100%	(1)
Critical Device Corporation	California	100%	
D.L.D., Ltd.	Bermuda	100%	(1)
Dantor S.A.	Uruguay	100%	(1)
Difco Laboratories Incorporated	Michigan	100%	
Difco Laboratories Limited	United Kingdom	100%	(1)
Discovery Labware, Inc.	Delaware	100%	
Distribuidora BD, S.A. de C.V.	Mexico	100%	(1)
EPV S.A. de C.V.	Mexico	100%	(1)
Franklin Lakes Enterprises, L.L.C.	New Jersey	100%	
Healthcare Holdings in Sweden AB	Sweden	100%	(1)
IBD Holdings LLC	Delaware	50%	(1)
Johnston Laboratories, Inc.	Maryland	100%	
Life Science Support & Service Company, Ltd.	Japan	100%	(1)
Luther Medical Products, Inc.	California	100%	(1)
Staged Diabetes Management LLC	New Jersey	50%	(1)
Matrex Salud, de R.L. de C.V.	Mexico	50%	(1)
Med-Safe Systems, Inc.	California	100%	
Nippon Becton Dickinson Company, Ltd.	Japan	100%	(1)
PharMingen	California	100%	
Phase Medical, Inc.	California	100%	(1)
PreAnalytiX GmbH	Switzerland	50%	(1)
Promedicor de Mexico, S.A. de C.V.	Mexico	100%	(1)
Saf-T-Med Inc.	Delaware	100%	
Tru-Fit Marketing Corporation	Massachusetts	100%	

(1) owned by a wholly-owned subsidiary of Becton, Dickinson and Company

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 33-23055, 33-33791, 33-40787, 33-53375, 33-58367, 33-64115, 333-11885, 333-16091, 333-46089, 333-59238, 333-108052 and 333-118235 on Form S-8, Registration Statement Nos. 333-23559, 333-38193 and 333-104019 on Form S-3 and the related Prospectuses, and this Annual Report (Form 10-K) of our report dated November 3, 2004, with respect to the consolidated financial statements of Becton, Dickinson and Company included in the 2004 Annual Report to Shareholders of Becton, Dickinson and Company.

Our audits also included the financial statement schedule of Becton, Dickinson and Company listed in Item 15(b). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG, LLP
Ernst & Young, LLP

New York, New York
December 10, 2004

EXHIBIT 31

CERTIFICATIONS

I, Edward J. Ludwig, certify that:

1. I have reviewed this Annual Report on Form 10-K 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)) 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) [Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986]

(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 data; 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: December 13, 2004

/s/ EDWARD J. LUDWIG
Edward J. Ludwig
Chairman, President and
Chief Executive Officer

EXHIBIT 31

I, John R. Considine, certify that:

1. I have reviewed this Annual Report on Form 10-K 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)) 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) [Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986]

(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 data; 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: December 13, 2004

/s/ JOHN R. CONSIDINE
John R. Considine
Executive Vice President and
Chief Financial Officer

EXHIBIT 32

The certification set forth below is being submitted in connection with the Annual Report on Form 10-K of Becton, Dickinson and Company for the fiscal year ended September 30, 2004 (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, Edward J. Ludwig, 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: December 13, 2004

/s/ EDWARD J. LUDWIG

Edward J. Ludwig
Chairman, President and
Chief Executive Officer

EXHIBIT 32

The certification set forth below is being submitted in connection with the Annual Report on Form 10-K of Becton, Dickinson and Company for the fiscal year ended September 30, 2004 (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, John R. Considine, 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: December 13, 2004

/s/ JOHN R. CONSIDINE
John R. Considine
Executive Vice President and
Chief Financial Officer