UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of the earliest event reported): May 5, 2017

BECTON, DICKINSON AND COMPANY

(Exact name of registrant as specified in its charter)

New Jersey	**001-4802**	**22-0760120**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1 Becton Drive **Franklin Lakes, New Jersey**	**07417-1880**
(Address of principal executive offices)	(Zip Code)

(201) 847-6800

(Registrant's telephone number, including area code)

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

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

Item 8.01. Other Events.

On April 23, 2017, Becton, Dickinson and Company ("BD") entered into an Agreement and Plan of Merger (the "Merger Agreement") with C. R. Bard, Inc., a New Jersey Corporation ("Bard"), and Lambda Corp., a New Jersey corporation and wholly owned subsidiary of BD ("Merger Corp"). The Merger Agreement provides, among other things, that, upon the terms and subject to the conditions set forth therein, Merger Corp will merge with and into Bard, with Bard surviving as a wholly-owned subsidiary of BD (the "Transaction").

BD is filing this Current Report on Form 8-K to present the audited consolidated financial statements (and notes thereto) of Bard for the years ended December 31, 2016, 2015 and 2014, which are filed as Exhibit 99.1 hereto, and the unaudited consolidated condensed financial statements (and notes thereto) of Bard for the three-month periods ended March 31, 2017 and 2016, which are filed as Exhibit 99.2 hereto. BD is also filing with this Current Report on Form 8-K the unaudited pro forma condensed combined financial information (and notes thereto) of BD, after giving effect to the Transaction and related financing transactions, for the six month period ended March 31, 2017 and for the fiscal year ended September 30, 2016, which are filed as Exhibit 99.3 hereto.

On May 5, 2017, BD announced that, in connection with the Transaction, it had commenced offers to exchange any and all of the outstanding $500.0 million aggregate principal amount of Bard's 4.400% Notes due 2021, $500.0 million aggregate principal amount of Bard's 3.000% Notes due 2026 and $149.82 million aggregate principal amount of Bard's 6.700% Notes due 2026 for up to $1.15 billion aggregate principal amount of new notes issued by BD and cash. In conjunction with the exchange offers, BD is also soliciting consents, on behalf of Bard, to adopt certain proposed amendments to each of the indentures governing the Bard notes to (i) eliminate substantially all of the restrictive covenants in the indentures and (ii) limit the reporting covenants under the indentures so that Bard is only required to comply with the reporting requirements under the Trust Indenture Act of 1939. A copy of the press release is attached hereto as Exhibit 99.4 and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description of Exhibit
23.1	Consent of KPMG LLP, independent registered public accounting firm for C. R. Bard, Inc.
99.1	Audited consolidated financial statements (and notes thereto) of C. R. Bard, Inc. for the fiscal years ended December 31, 2016, 2015 and 2014.
99.2	Unaudited consolidated condensed financial statements (and notes thereto) of C. R. Bard, Inc. for the three-month periods ended March 31, 2017 and 2016.
99.3	Unaudited pro forma condensed combined financial information (and notes thereto) of BD, after giving effect to the Transaction and related financing transactions, for the six month period ended March 31, 2017 and for the fiscal year ended September 30, 2016.
99.4	Press release of Becton, Dickinson and Company dated May 5, 2017.

Signatures

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

BECTON, DICKINSON AND COMPANY
(Registrant)

By: /s/ Gary DeFazio

Name: Gary DeFazio
Title: Vice President and Corporate Secretary

Date: May 8, 2017

EXHIBIT INDEX

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Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by references in the registration statements (33-23055, 33-33791, 33-64115, 333-11885, 333-16091, 333-118235, 333-147594, 333-161129, 333-161215, 333-170821 and 333-199830) on Form S-8 and (333-206020) on Form S-3 of Becton, Dickinson and Company of our reports dated February 13, 2017, with respect to the consolidated balance sheets of C. R. Bard, Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, shareholders' investment, and cash flows for each of the years in the three-year period ended December 31, 2016, and the related consolidated financial statement schedule and the effectiveness of internal control over financial reporting as of December 31, 2016, which reports appear in this Current Report on Form 8-K dated May 8, 2017.

Our report includes an explanatory paragraph indicating that management excluded from its assessment of the effectiveness of the company's internal control over financial reporting as of December 31, 2016, internal control over financial reporting associated with Liberator Medical Holdings, Inc., representing approximately 2.1% of C. R. Bard, Inc.'s consolidated net sales for the year ended December 31, 2016 and assets associated with Liberator Medical Holdings, Inc.'s operations representing 0.4% of C. R. Bard, Inc.'s consolidated total assets as of December 31, 2016. Our audit of internal control over financial reporting also excluded an evaluation of the internal control over financial reporting of Liberator Medical Holdings, Inc.

/s/ KPMG LLP
Short Hills, New Jersey
May 8, 2017

Exhibit 99.1

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
C. R. Bard, Inc.:

We have audited the accompanying consolidated balance sheets of C. R. Bard, Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, shareholders' investment, and cash flows for each of the years in the three-year period ended December 31, 2016. In connection with our audits of the consolidated financial statements, we also have audited the consolidated financial statement schedule. These consolidated financial statements and financial statement schedule are the responsibility of C. R. Bard, Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of C. R. Bard, Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), C. R. Bard, Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013, and our report dated February 13, 2017 expressed an unqualified opinion on the effectiveness of C. R. Bard, Inc.'s internal control over financial reporting.

/s/ KPMG LLP
Short Hills, New Jersey
February 13, 2017

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
C. R. Bard, Inc.:

We have audited C. R. Bard, Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. C. R. Bard, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the effectiveness of C. R. Bard, Inc.'s internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, C. R. Bard, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013.

The scope of management's assessment of the effectiveness of internal control over financial reporting includes all of C. R. Bard, Inc.'s consolidated operations except for the operations of Liberator Medical Holdings, Inc., which the company acquired on January 21, 2016. Liberator Medical Holdings, Inc.'s operations represent 2.1% of C. R. Bard, Inc.'s consolidated net sales for the year ended December 31, 2016 and assets associated with Liberator Medical Holdings, Inc.'s operations represent 0.4% of C. R. Bard, Inc.'s consolidated total assets as of December 31, 2016. Our audit of internal control over financial reporting of C. R. Bard, Inc. also excluded an evaluation of the internal control over financial reporting of Liberator Medical Holdings, Inc.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of C. R. Bard, Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, shareholders' investment, and cash flows for each of the years in the three-year period ended December 31, 2016, and our report dated February 13, 2017 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP
Short Hills, New Jersey
February 13, 2017

C. R. BARD, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(dollars in thousands except per share amounts)

	For the Years Ended December 31,		
	2016	**2015**	**2014**
Net sales	$ 3,714,000	$ 3,416,000	$ 3,323,600
Costs and expenses:			
Cost of goods sold	1,371,700	1,301,200	1,258,600
Marketing, selling and administrative expense	1,101,900	1,012,100	981,500
Research and development expense	292,800	259,200	302,000
Interest expense	54,500	44,900	44,800
Other (income) expense, net	229,400	449,200	290,900
Total costs and expenses	3,050,300	3,066,600	2,877,800
Income from operations before income taxes	663,700	349,400	445,800
Income tax provision	132,300	214,000	151,300
Net income	$ 531,400	$ 135,400	$ 294,500
Basic earnings per share available to common shareholders	$ 7.15	$ 1.80	$ 3.83
Diluted earnings per share available to common shareholders	$ 7.03	$ 1.77	$ 3.76

The accompanying notes are an integral part of these consolidated financial statements.

C. R. BARD, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(dollars in thousands)

	For the Years Ended December 31,		
	2016	**2015**	**2014**
Net income	$ 531,400	$ 135,400	$ 294,500
Other comprehensive income (loss)			
Change in derivative instruments designated as cash flow hedges, net of tax	(1,200)	(9,600)	900
Foreign currency translation adjustments	(21,800)	(91,100)	(50,400)
Benefit plan adjustments, net of tax	(4,500)	(18,500)	(18,400)
Other comprehensive income (loss)	(27,500)	(119,200)	(67,900)
Comprehensive income	$ 503,900	$ 16,200	$ 226,600

The accompanying notes are an integral part of these consolidated financial statements.

C. R. BARD, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(dollars in thousands except share and per share amounts)

	December 31,	
	2016	**2015**
ASSETS		
Current assets		
Cash and cash equivalents	$ 905,000	$ 950,500
Restricted cash	201,500	80,400
Accounts receivable, less allowances of $7,200 and $7,500, respectively	477,300	445,100
Inventories	483,000	413,700
Other current assets	249,600	79,600
Total current assets	2,316,400	1,969,300
Property, plant and equipment, at cost:		
Land	19,200	19,500
Buildings and improvements	322,900	304,500
Machinery and equipment	505,000	483,800
	847,100	807,800
Less accumulated depreciation and amortization	357,600	335,400
Net property, plant and equipment	489,500	472,400
Goodwill	1,260,500	1,140,600
Core and developed technologies, net	686,400	744,300
Other intangible assets, net	323,600	274,800
Deferred tax assets	64,400	50,500
Other assets	165,300	192,100
Total assets	$ 5,306,100	$ 4,844,000
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current liabilities		
Short-term borrowings and current maturities of long-term debt	$ —	$ 250,200
Accounts payable	96,000	70,700
Accrued expenses	809,500	728,900
Accrued compensation and benefits	186,100	187,900
Income taxes payable	17,300	23,000
Total current liabilities	1,108,900	1,260,700
Long-term debt	1,641,700	1,144,100
Other long-term liabilities	861,500	936,700
Deferred tax liabilities	18,900	47,200
Commitments and contingencies		
Shareholders' investment:		
Preferred stock, $1 par value, authorized 5,000,000 shares; none issued	—	—
Common stock, $.25 par value, authorized 600,000,000 shares in 2016 and 2015; issued and outstanding 72,899,251 shares in 2016 and 73,697,371 shares in 2015	18,200	18,400
Capital in excess of par value	2,346,800	2,148,400
Accumulated deficit	(454,400)	(503,500)
Accumulated other comprehensive loss	(235,500)	(208,000)
Total shareholders' investment	1,675,100	1,455,300
Total liabilities and shareholders' investment	$ 5,306,100	$ 4,844,000

The accompanying notes are an integral part of these consolidated financial statements.

C. R. BARD, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' INVESTMENT
(dollars in thousands except share and per share amounts)

	Common Stock					
	Shares	Amount	Capital In Excess Of Par Value	Accumulated Deficit / Retained Earnings	Accumulated Other Comp. (Loss) Inc.	Total
Balance at December 31, 2013	77,436,263	$ 19,400	$ 1,729,600	$ 360,100	$ (20,900)	$ 2,088,200
Net income	—	—	—	294,500	—	294,500
Total other comprehensive loss					(67,900)	(67,900)
Cash dividends declared ($0.87 per share)	—	—	—	(66,400)	—	(66,400)
Issuance of common stock	1,954,647	400	108,900	—	—	109,300
Share-based compensation	—	—	71,600	—	—	71,600
Purchases of common stock	(4,497,427)	(1,100)	—	(658,500)	—	(659,600)
Tax benefit relating to share-based compensation plans	—	—	35,200	—	—	35,200
Balance at December 31, 2014	74,893,483	$ 18,700	$ 1,945,300	$ (70,300)	$ (88,800)	$ 1,804,900
Net income	—	—	—	135,400	—	135,400
Total other comprehensive loss					(119,200)	(119,200)
Cash dividends declared ($0.94 per share)	—	—	—	(70,600)	—	(70,600)
Issuance of common stock	1,549,177	400	76,900	—	—	77,300
Share-based compensation	—	—	81,800	—	—	81,800
Purchases of common stock	(2,745,289)	(700)	—	(498,000)	—	(498,700)
Tax benefit relating to share-based compensation plans	—	—	44,400	—	—	44,400
Balance at December 31, 2015	73,697,371	$ 18,400	$ 2,148,400	$ (503,500)	$ (208,000)	$ 1,455,300
Net income	—	—	—	531,400	—	531,400
Total other comprehensive loss					(27,500)	(27,500)
Cash dividends declared ($1.02 per share)	—	—	—	(75,900)	—	(75,900)
Issuance of common stock	1,201,880	300	67,300	—	—	67,600
Share-based compensation	—	—	90,000	—	—	90,000
Purchases of common stock	(2,000,000)	(500)	—	(406,400)	—	(406,900)
Tax benefit relating to share-based compensation plans	—	—	41,100	—	—	41,100
Balance at December 31, 2016	72,899,251	$ 18,200	$ 2,346,800	$ (454,400)	$ (235,500)	$ 1,675,100

The accompanying notes are an integral part of these consolidated financial statements.

C. R. BARD, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	For the Years Ended December 31,		
	2016	**2015**	**2014**
Cash flows from operating activities:			
Net income	$ 531,400	$ 135,400	$ 294,500
Adjustments to reconcile net income to net cash provided by operating activities, net of acquired businesses:			
Depreciation and amortization	213,400	193,100	174,100
Litigation charges, net	204,900	588,000	268,900
Restructuring and productivity initiative costs, net of payments	5,000	22,500	9,800
Asset impairments	1,200	4,500	6,800
Settlement of pre-existing relationship related to Medicon	—	49,600	—
Gain on previously held ownership share of Medicon	—	(25,500)	—
Gain on sale of investment	—	—	(7,100)
Acquired in-process research and development	—	—	2,600
Deferred income taxes	(65,400)	(45,100)	(26,900)
Share-based compensation	90,000	81,800	71,400
Inventory reserves and provision for doubtful accounts	24,000	27,400	23,300
Other items	(1,700)	4,200	4,200
Changes in assets and liabilities, net of acquired businesses:			
Accounts receivable	(25,100)	(18,000)	21,300
Inventories	(83,700)	(33,100)	(53,900)
Current liabilities	(318,800)	(217,300)	(35,000)
Taxes	(12,900)	22,600	(105,500)
Other, net	(15,700)	8,000	11,500
Net cash provided by operating activities	546,600	798,100	660,000
Cash flows from investing activities:			
Capital expenditures	(100,300)	(102,900)	(126,600)
Change in restricted cash	(121,100)	(31,200)	(31,200)
Payments made for purchases of businesses, net of cash acquired	(202,800)	(97,400)	—
Payments made for intangibles	(900)	(900)	(13,300)
Proceeds from sale of financial instruments and other investments	—	21,000	7,100
Other	1,200	—	700
Net cash used in investing activities	(423,900)	(211,400)	(163,300)
Cash flows from financing activities:			
Change in short-term borrowings, net	—	(78,000)	78,000
Proceeds from issuance of long-term debt, net	495,600	—	—
Payments of long-term debt	(250,000)	(4,000)	—
Proceeds from exercises under share-based compensation plans, net	50,900	58,700	98,400
Excess tax benefit relating to share-based compensation plans	41,400	44,200	35,200
Purchases of common stock	(406,900)	(498,700)	(659,600)
Dividends paid	(74,600)	(69,400)	(66,200)
Payments of contingent and deferred consideration	(6,200)	(6,900)	(70,200)
Net cash used in financing activities	(149,800)	(554,100)	(584,400)
Effect of exchange rate changes on cash and cash equivalents	(18,400)	(42,200)	(19,100)
Decrease in cash and cash equivalents during the year	(45,500)	(9,600)	(106,800)
Balance at January 1	950,500	960,100	1,066,900
Balance at December 31	$ 905,000	$ 950,500	$ 960,100
Supplemental cash flow information			
Cash paid for:			
Interest	$ 50,200	$ 42,800	$ 42,700
Income taxes	169,200	192,300	248,500
Non-cash transactions:			
Dividends declared, not paid	$ 19,300	$ 18,000	$ 16,800
Purchases of businesses and related costs	17,100	69,000	3,000

The accompanying notes are an integral part of these consolidated financial statements.

1. Significant Accounting Policies

Nature of Operations - C. R. Bard, Inc. and its subsidiaries (the "company" or "Bard") are engaged in the design, manufacture, packaging, distribution and sale of medical, surgical, diagnostic and patient care devices. The company markets its products worldwide to hospitals, individual healthcare professionals, extended care facilities and alternate site facilities.

Consolidation - The consolidated financial statements include the accounts of C. R. Bard, Inc. and its subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation. The accounts of most foreign subsidiaries are consolidated as of November 30. No events occurred related to these foreign subsidiaries during the months of December 2016, 2015 or 2014 that materially affected the financial position or results of operations of the company. The company has no material interests in variable interest entities and none that require consolidation.

Use of Estimates in the Preparation of Financial Statements - The preparation of these financial statements in conformity with accounting principles generally accepted in the United States requires the company to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities at the date of the financial statements. The company evaluates these estimates and judgments on an ongoing basis and bases its estimates on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. Actual results may differ from these estimates under different assumptions or conditions.

Foreign Currency - Net assets of foreign subsidiaries are translated into U.S. dollars at current year-end rates, and revenues, costs and expenses are translated at average monthly rates during each monthly period. Net exchange gains or losses resulting from the translation of foreign financial statements and the effect of exchange rate changes on intercompany transactions of a long-term investment nature are accumulated and credited or charged directly to a separate component of shareholders' investment. Any foreign currency gains or losses related to monetary assets are charged to other (income) expense, net.

Revenue Recognition - The company's net sales represent gross sales invoiced to both end-user customers and independent distributors, less certain related charges, including discounts, returns, rebates and other allowances. The company recognizes product revenue when persuasive evidence of a sales arrangement exists, title and risk of loss have transferred, the selling price is fixed or determinable, contractual obligations have been satisfied and collectibility is reasonably assured. Generally, sales to end-user customers and European distributors are recognized at the point of delivery, and sales to domestic distributors are recognized at the time of shipment. In certain circumstances, end-user customers may require the company to maintain consignment inventory at the customer's location. In the case of consignment inventories, revenue and associated cost are recognized upon the notification of usage by the customer.

Royalty revenue is recognized as earned in accordance with the contract terms when royalty revenue can be objectively determined. If royalty revenue cannot be objectively determined during the quarterly period in which it is earned, then royalty revenue is recognized in the following quarterly period when objective evidence is obtained and the revenue becomes fixed and determinable.

Charges for discounts, returns, rebates and other allowances are recognized as a deduction from revenue on an accrual basis in the period in which the revenue is recorded. The accrual for product returns, discounts and other allowances is based on the company's history. The company allows customers to return defective or damaged products. Historically, product returns have not been material. The company grants sales rebates to independent distributors based upon the distributor's reporting of end-user sales and pricing. Sales rebates are accrued by the company in the period in which the sale is recorded. The company's rebate accrual is based on its history of actual rebates paid. In estimating rebate accruals, the company considers the lag time between the point of sale and the payment of the distributor's rebate claim, distributor-specific trend analysis and contractual commitments including stated rebate rates. The company's reserves for rebates are reviewed at each reporting period and adjusted to reflect data available at that time. The company adjusts reserves to reflect any differences between estimated and actual amounts. Such adjustments impact the amount of net product sales revenue recognized by the company in the period of adjustment.

Shipping and Handling Costs - Shipping and handling costs are included in cost of goods sold.

Advertising Costs - Costs related to advertising are expensed as incurred. Advertising expense was $20.8 million, $4.8 million and $4.4 million in 2016, 2015 and 2014, respectively, and is included in marketing, selling and administrative expense.

Research and Development - Research and development expense is comprised of costs related to internal research and development activities, milestone payments for third-party research and development activities, and acquired in-process research and development ("IPR&D") arising from acquisitions not accounted for as a business combination. IPR&D arising from a business combination are accounted for as indefinite-lived intangible assets, subject to impairment testing until completion or abandonment of a project. Upon successful completion, a separate determination will be made as to the useful life of the asset and amortization will begin.

Share-Based Compensation - Share-based compensation cost is measured at the grant date based on the fair value of the award. Generally, compensation expense is recognized on a straight-line basis over the vesting period.

Cash Equivalents - Cash equivalents consist of highly liquid investments purchased with an original maturity of three months or less and amounted to $623.2 million and $615.4 million at December 31, 2016 and 2015, respectively.

Accounts Receivable - In addition to trade receivables, accounts receivable included $20.5 million and $20.7 million of non-trade receivables at December 31, 2016 and 2015, respectively.

Inventories - Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

Depreciation - Depreciation is provided over the estimated useful lives of depreciable assets using the straight-line method. The estimated useful lives primarily range from three to 40 years for buildings and improvements and three to 20 years for machinery and equipment. Depreciation expense was $69.9 million, $62.3 million and $56.8 million in 2016, 2015 and 2014, respectively.

Software Capitalization and Amortization - Internally used software, whether purchased or developed, is capitalized and amortized using the straight-line method over an estimated useful life of five to seven years. Capitalized software costs are included in machinery and equipment. The company capitalizes certain costs associated with internal-use software such as the payroll costs of employees devoting time to the projects and external direct costs for materials and services. Costs associated with internal-use software are expensed during the design phase until the point at which the project has reached the application development stage. Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance and training costs are expensed in the period in which they are incurred. The company capitalized $16.4 million, $17.1 million and $21.2 million of internal-use software for the years ended December 31, 2016, 2015 and 2014, respectively. Amortization expense for capitalized software was $13.0 million, $11.3 million and $8.5 million in 2016, 2015 and 2014, respectively.

Goodwill - Goodwill is tested for impairment annually at December 31 or more frequently if impairment indicators arise using a fair value based test. The company assigns goodwill recorded in connection with acquisitions to its four reporting units, each of which is one level below the company's single reporting segment. The fair value of each reporting unit is calculated and compared to its carrying value. In determining the fair value of each reporting unit, the company uses a weighted-average combination of both market and income approaches. The market approach to estimating fair value is based primarily on applying external market information to a historical earnings measure. The income approach to estimating fair value is based on a discounted value of estimated future cash flows of the reporting unit. If the carrying amount of a reporting unit exceeds its fair value, then the company will record an impairment charge for the excess of the carrying value of goodwill over its implied fair value.

Other Intangible Assets - Other intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives ranging from five to 22 years with a weighted average of 13 years. When events or circumstances indicate that the carrying amount of intangible assets may not be recoverable, the company will assess recoverability from future operations using undiscounted cash flows derived from the lowest appropriate asset groupings. To the extent carrying value exceeds the undiscounted cash flows, impairments are recognized in operating results to the extent that the carrying value exceeds the fair value, which is determined based on the net present value of estimated future cash flows.

Income Taxes - Deferred tax assets and liabilities are recognized based on the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial and income tax reporting purposes. The company regularly assesses its tax positions to determine whether the benefits of tax positions are more likely than not of being sustained upon audit. These positions relate to transfer pricing, the deductibility of certain expenses, intercompany transactions, state taxes and other matters. Although the outcome of tax audits is uncertain, provisions for income taxes have been made for potential liabilities resulting from such matters. Any reserves are adjusted once the statutes of limitation have expired or the tax position is remeasured or effectively settled. The company's policy is to classify interest and penalties related to unrecognized tax positions as income tax expense.

Income Statement Presentation of Taxes Collected from Customers and Remitted to Government Authorities- The company follows a net basis policy with regard to sales, use, value added or any other tax collected from customers and remitted to government authorities, which excludes them from both net sales and expenses.

Treasury Stock - The company accounts for treasury stock purchases as retirements by reducing retained earnings for the cost of the repurchase. Issuances of previously repurchased shares are accounted for as new issuances. There were 43.9 million and 43.1 million of previously repurchased shares at December 31, 2016 and 2015, respectively.

Derivative Instruments - The company recognizes all derivative instruments at fair value on a gross basis in its consolidated balance sheets. Changes in fair value of derivative instruments are recorded in each period in current earnings or accumulated other comprehensive loss depending on whether the derivative instrument is designated as part of a hedged transaction, and if so, the type of hedge transaction.

The company's objective in managing its exposures to foreign currency fluctuations is to minimize earnings and cash flow volatility associated with future intercompany receivables and payables denominated in foreign currencies. These risks are managed using derivative instruments, mainly through forward currency and option contracts. The company does not utilize derivative instruments for trading or speculative purposes. None of these derivative instruments extend beyond June 2018. All of these derivative instruments are designated and qualify as cash flow hedges. The effective portion of the changes in fair value of the derivative instruments' gains or losses are reported as a component of accumulated other comprehensive loss and reclassified into earnings on the same line item associated with the forecasted transaction and in the same period or periods when the forecasted transaction affects earnings. At December 31, 2016, all of these derivative instruments were highly effective hedging instruments because they were denominated in the same currency as the hedged item and because the maturities of the derivative instruments matched the timing of the hedged items.

When applicable, foreign currency exposures that arise from remeasuring intercompany loans denominated in currencies other than the functional currency are mitigated through the use of forward contracts. Hedges of these foreign exchange exposures are not designated as hedging instruments for accounting purposes. The gains or losses on these instruments are recognized in earnings and are effectively offset by the gains or losses on the underlying hedged items.

The company may use interest rate swap contracts to manage its net exposure to interest rates on its long-term debt. Under its interest rate swap contract, the company exchanged, at specified intervals, the difference between fixed and floating interest rates calculated by reference to a notional principal amount of these notes. The company's swap contract was designated and qualified as a fair value hedge. Changes in the fair value of the swap contract offset changes in the fair value of the fixed rate debt due to changes in market interest rates. The company's interest rate swap contract was settled concurrent with the maturity of the 2.875% fixed-rate notes in January 2016.

The company may use forward starting interest rate swap contracts which are intended to manage its exposure to interest rate volatility in anticipation of issuing fixed-rate debt. The effective portion of the changes in fair value are reported as a component of accumulated other comprehensive loss and are then reclassified into interest expense over the term of the related debt beginning in the period in which the planned debt issuance occurs and the related forward starting swap contract is settled. The company's forward starting interest rate swap contract was designated and qualified as a cash flow hedge. This contract was settled concurrent with the issuance of the 3.000% senior unsecured notes due 2026 ("3.000% Notes due 2026") in May 2016.

Reclassifications – Certain prior year amounts have been reclassified to conform to the current year presentation.

Recently Adopted Accounting Pronouncement – In November 2015, the Financial Accounting Standards Board ("FASB") issued an accounting standard update that simplifies the balance sheet classification of deferred taxes. This update requires all deferred tax assets and liabilities to be reported as non-current in the consolidated balance sheets. The company elected to adopt this update early in the fourth quarter of 2016. See Note 4 of the notes to consolidated financial statements.

In June 2015, the FASB issued an accounting standard update that contains amendments that will affect a wide variety of topics in the accounting standards codification. One of the amendments include a clarification that an equity security has a readily determinable fair value if it meets certain conditions, which include the fair value of an equity security that is an investment in a mutual fund or in a structure similar to a mutual fund is readily determinable if the fair value per share is determined and published and is the basis for current transactions. In 2016, the company adopted this provision of this update and applied the provision retrospectively to 2015. See Note 12 of the notes to the consolidated financial statements.

In April 2015, the FASB issued an accounting standard update that requires debt issuance costs to be presented as a direct deduction from the carrying amount of the related debt rather than as an asset. In 2016, the company adopted this update. See Note 9 of the notes to consolidated financial statements.

New Accounting Pronouncements Not Yet Adopted – In January 2017, the FASB issued an accounting standard update that clarifies the definition of a business by providing a more robust framework to evaluate whether transactions should be accounted for as an acquisition of assets or business. This update is expected to reduce the number of transactions that will be accounted for as an acquisition of a business. The effects of this update will depend on future acquisitions. The company intends to adopt this standard early as of the beginning of Bard's 2017 fiscal year.

In November 2016, the FASB issued an accounting standard update that requires the change in the total of cash, cash equivalents, and restricted cash to be shown in the statement of cash flows. As a result, transfers between cash, cash equivalents, and restricted cash will no longer be presented in the statement of cash flows. This update will be effective as of the beginning of Bard's 2018 fiscal year, with early adoption permitted. Other than the impact of this change on the statements of cash flows, this update is not expected to have a material impact on the company's consolidated financial statements.

In October 2016, the FASB issued an accounting standard update that requires the immediate recognition of the income tax effects of intra-entity transfers of assets other than inventory at the time of the transfer. This update will be effective as of the beginning of Bard's 2018 fiscal year, with early adoption permitted at the beginning of an annual period. The company is assessing the impact of inter-entity transfers on the company's consolidated financial statements.

In March 2016, the FASB issued an accounting standard update that includes multiple provisions intended to simplify various aspects of the accounting for share-based payments, including the income tax items and the classification of these items on the statement of cash flows. This update will be effective as of the beginning of Bard's 2017 fiscal year. This standard will result in the recognition of excess income tax benefits to the consolidated statements of income upon settlement of share-based compensation awards, which is largely dependent on the exercise/vesting of awards and variables such as the company's stock price at the time of the exercise/vesting of awards and the exercise price of the underlying awards. Other than the recognition of excess income tax benefits which may be material to the consolidated statements of income and the classification of these items on the statements of cash flows, this update is not expected to have a material impact on the company's consolidated financial statements.

In February 2016, the FASB issued a new accounting standard to use in the accounting for leases. The new standard will require, among other items, lessees to recognize most leases on the balance sheet by recording a right-of-use asset and a lease liability. This standard will be effective as of the beginning of Bard's 2019 fiscal year. Other than this impact to the company's consolidated balance sheet, the new standard is not expected to have a material impact on the company's consolidated financial statements.

In May 2014, the FASB issued a new accounting standard that provides for a comprehensive model to use in the accounting for revenue arising from contracts with customers. Under this standard, revenue will be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued an accounting standard update to defer this standard's effective date for one year, which will now begin with Bard's 2018 fiscal year. Under this standard, the company expects to recognize royalty revenue in earlier periods than under its current policy, and for other contracts that do not meet the new criteria for recognizing revenue over time. In addition, revenue will be recognized in earlier periods, where the company maintains risk of loss for products that are in-transit to the customer. The company has made substantial progress in its evaluation of the new standard, and other than these items, this standard is not expected to have a material impact on the company's consolidated financial statements. The company will continue to assess the new standard, as well as updates to the standard that have been proposed by the FASB. The company intends to adopt the standard under the modified retrospective approach beginning with Bard's 2018 fiscal year.

2. Acquisitions

The company acquires businesses, products and technologies to augment its existing product lines and from time-to-time may divest businesses or product lines for strategic reasons. Unaudited pro forma financial information has not been presented because the effects of acquisitions were not material on either an individual or aggregate basis.

Acquisitions

On January 21, 2016, the company acquired all of the outstanding shares of Liberator Medical Holdings, Inc. ("Liberator"), a publicly-held direct-to-consumer distributor of urological catheters, ostomy supplies, mastectomy fashions and diabetic medical supplies for a purchase price of $181.1 million. This acquisition enhanced the company's position in the home healthcare market in the United States. The acquisition was accounted for as a business combination, and the results of operations have been included in the company's results since the acquisition date. The fair value of the assets acquired and the liabilities assumed results in the recognition of: customer relationships of $53.0 million; other intangibles of $26.0 million, primarily consisting of a trade name and non-compete agreements; deferred tax liabilities of $31.6 million, primarily associated with intangible assets; and other net assets of $11.9 million. The excess of the purchase price over fair value of the acquired net assets was recorded as goodwill of $121.8 million. The goodwill recognized includes the value of expected market expansion in the home healthcare market through Liberator's direct-to-consumer capabilities that provide additional opportunity for market penetration. Additionally, synergies are expected to result from the alignment of sales call points within the company's sales organization. The goodwill is not deductible for tax purposes. Customer relationships and other intangible assets are being amortized over their weighted average estimated useful lives of approximately 12 years and 8 years, respectively.

On December 3, 2015, the company, through a wholly-owned foreign subsidiary, acquired all of the outstanding shares of Embo Medical Limited ("Embo"), a privately-held company headquartered in Galway, Ireland, specializing in the development of peripheral embolization devices. The total purchase consideration included an up-front cash payment of $21.0 million and the fair value of future additional milestone payments of up to $22.5 million that are contingent upon specific regulatory and revenue-related milestones being achieved, which had a fair value of $16.6 million as of the acquisition date. The acquisition was recognized in the first quarter of 2016 for this foreign subsidiary. The fair value of the assets acquired and the liabilities assumed resulted in the recognition of: an IPR&D asset of $36.1 million related to the development of the Caterpillar™ vascular plug device; goodwill of $4.4 million; and other net liabilities of $2.9 million. The goodwill is not deductible for tax purposes. The fair value of the IPR&D asset was determined based upon the present value of expected future cash flows adjusted for the probability of technological and regulatory success, utilizing a risk-adjusted discount rate of 17.5%. The fair value of the future contingent consideration was determined utilizing a probability weighted cash flow estimate adjusted for the expected timing of the payment.

On November 2, 2015, the company acquired Kobayashi Pharmaceutical Co., Ltd.'s ("Kobayashi") 50% ownership share in Medicon, Inc. ("Medicon"), through a share redemption (the "Medicon Acquisition"). Medicon was a joint venture company equally-owned by the company and Kobayashi and was a distributor of Bard's products in Japan. As a result of the Medicon Acquisition, the company now owns 100% of the outstanding shares of Medicon. The acquisition provides the company with greater control over its operations in Japan. The total consideration of $138.0 million, denominated in Japanese Yen, included an up-front cash payment of approximately $24.9 million at closing; the present value of future payments totaling approximately $65.8 million; settlement of an accounts receivable balance due from Medicon of $42.0 million; and the fair value of an off-market supply contract of $5.3 million. The future payments will be paid in Japanese Yen over a 10 year period, subject to exchange rate fluctuations. The liability for future payments was $52.3 million, of which $39.5 million was recorded to other long-term liabilities, and $66.0 million, of which $50.3 million was recorded to other long-term liabilities, at December 31, 2016 and 2015, respectively. The company will make future payments of $41.0 million over the next five years.

The fair value of the purchase consideration for the Medicon Acquisition was $88.4 million. In addition, the company recorded an expense of $49.6 million ($33.5 million after tax) to other (income) expense, net, related to the settlement of a pre-existing contractual relationship, which included a management fee provision. The settlement amount was calculated as the present value of the differential between the forecasted payments under the pre-existing contract and those of an at-market contract. Immediately prior to the Medicon Acquisition, the fair value of the company's existing 50% ownership share in Medicon of $46.4 million was determined using the present value of expected future cash flows. In connection with the fair value measurement of this ownership share, the company recorded a gain of $25.5 million to other (income) expense, net.

The Medicon Acquisition was accounted for as a business combination, and the results of operations have been included in the company's results since the acquisition date. The fair value of the assets acquired and the liabilities assumed results in the recognition of: customer relationships of $13.0 million; other intangible assets of $4.0 million, primarily related to regulatory assets; other net assets of $93.0 million, primarily consisting of inventory, accounts receivable, financial instruments, and pension obligations; and deferred tax liabilities of $8.8 million, primarily associated with intangible assets. An IPR&D asset of $11.9 million was recorded for the ongoing clinical trials required to obtain regulatory approval for certain of Bard's products in the Japanese health care market. The fair value of the IPR&D asset was determined utilizing the replacement cost method. The excess of the purchase price over fair value of the acquired net assets was recorded as goodwill of $21.7 million. The goodwill recognized includes the value of Medicon's assembled workforce and expected other cost synergies. A portion of the goodwill is deductible for tax purposes. Customer relationships and other intangibles assets are being amortized over their weighted average estimated useful lives of approximately 12 years and 10 years, respectively. The company incurred acquisition-related transaction costs of $2.4 million, which were expensed to marketing, selling and administrative expense.

Prior to the Medicon Acquisition, the company accounted for the joint venture under the equity method of accounting. The company recorded sales to Medicon of $139.6 million for the period from January 1, 2015 through November 1, 2015 and $156.3 million for the year ended 2014. The company eliminated the intercompany profits on sales to Medicon until Medicon sold the company's products to a third party. The company recorded equity losses of $0.4 million for the period from January 1, 2015 through November 1, 2015 and $0.3 million for the year ended 2014. There were no dividends received from Medicon in 2015. The company received dividends from Medicon of $1.5 million for the year ended December 31, 2014.

On July 1, 2015, the company acquired all of the outstanding shares of Vascular Pathways, Inc. ("VPI"), a privately-held developer and supplier of vascular access devices. VPI manufactures the AccuCath® Intravenous Catheter System, a United States Food and Drug Administration cleared device that enables rapid and safe peripheral intravenous ("PIV") insertion. This acquisition allows the company to expand its wire-assist PIV technology platform to address unmet clinical needs and will supplement its intellectual property portfolio for wire-assist vascular access devices. The total purchase consideration of $81.5 million included the fair value of future contingent consideration of up to $15 million, which is based on specific revenue-based and manufacturing-related milestones. The fair value of the future contingent consideration was determined by utilizing a probability weighted cash flow estimate adjusted for the expected timing of the payment and was not material as of the acquisition date. The acquisition was accounted for as a business combination, and the results of operations have been included in the company's results since the acquisition date. The fair value of the assets acquired and the liabilities assumed results in the recognition of: developed technologies of $65.0 million; deferred tax liabilities of $24.8 million, primarily associated with intangible assets; deferred tax assets of $9.9 million, consisting primarily of net operating loss carryforwards; and other net liabilities of $11.0 million. The excess of the purchase price over fair value of the acquired net assets was recorded as goodwill of $42.4 million. The goodwill recognized includes the value of future product applications for wire-assist vascular access devices that did not meet the criteria for separate recognition of IPR&D and provides for call point synergies within the company's sales organization. The goodwill is not deductible for tax purposes. Developed technologies are being amortized over their estimated useful lives of approximately 12 years. The company incurred acquisition-related transaction costs of $2.2 million, of which $1.2 million were expensed to marketing, selling and administrative expense and $1.0 million were expensed to research and development expense.

3. Asset Impairments

During 2016, the company recorded $1.2 million ($1.2 million after tax) to cost of goods sold for the impairment of a prepaid asset. During 2015 and 2014, the company recorded $4.5 million ($2.8 million after tax) and $6.8 million ($4.3 million after tax), respectively, to research and development expense for the impairment of IPR&D projects, primarily due to changes in cash flow assumptions.

Asset impairment charges were measured at fair value using significant unobservable inputs that are categorized as Level 3 under the fair value hierarchy, which is described further in Note 6 of the notes to consolidated financial statements.

4. Income Taxes

The components of income from operations before income taxes for the following years ended December 31 consisted of:

(dollars in millions)	2016	2015	2014
United States	$ 268.1	$ 550.3	$ 344.3
Foreign	395.6	(200.9)	101.5
	$ 663.7	$ 349.4	$ 445.8

The income tax provision for the following years ended December 31 consisted of:

(dollars in millions)	2016	2015	2014
Current provision			
Federal	$ 132.3	$ 196.8	$ 130.1
Foreign	44.5	40.8	32.3
State	20.9	21.5	15.8
	197.7	259.1	178.2
Deferred (benefit) provision			
Federal	(62.1)	(18.3)	(17.8)
Foreign	4.4	(26.5)	(3.9)
State	(7.7)	(0.3)	(5.2)
	(65.4)	(45.1)	(26.9)
	$ 132.3	$ 214.0	$ 151.3

Deferred tax assets and deferred tax liabilities at December 31 consisted of:

(dollars in millions)	2016	2015
Deferred tax assets		
Employee benefits	$ 184.2	$ 180.1
Inventory	12.4	12.2
Receivables and rebates	31.7	29.6
Accrued expenses	259.8	165.2
Loss carryforwards and credits	77.7	81.4
Other	2.5	—
Gross deferred tax assets	568.3	468.5
Valuation allowance	(53.3)	(51.1)
	515.0	417.4
Deferred tax liabilities		
Intangibles	346.2	338.8
Accelerated depreciation	16.9	16.3
Receivables and other	106.4	59.0
	469.5	414.1
	$ 45.5	$ 3.3

As discussed in Note 1 of the notes to consolidated financial statements, the company retrospectively adopted an accounting standard update early. This update requires all deferred tax assets and liabilities to be reported as non-current in the consolidated balance sheets. The adoption of this update had the following impact on the 2015 consolidated balance sheet amounts as previously reported: short-term deferred tax assets decreased by $123.9 million, deferred tax assets increased by $28.7 million, accrued expenses decreased by $1.1 million and deferred tax liabilities decreased by $94.1 million.

At December 31, 2016, the company had federal net operating loss carryforwards of $34.3 million, which expire between 2027 and 2036, state net operating loss carryforwards of $415.2 million, which expire between 2017 and 2037, foreign net operating loss carryforwards of $158.4 million, which expire between 2018 and 2027, and foreign net operating loss carryforwards of $24.5 million with an indefinite life. The company also had various tax credits of $11.5 million with an indefinite life and $12.3 million that expire between 2018 and 2033.

The company records valuation allowances to reduce its deferred tax assets to the amount that it believes is more likely than not to be realized. The company considers future taxable income and the periods over which it must be earned in assessing the need for valuation allowances. In the event the company determines it would not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to expense in the period such determination was made. At December 31, 2016, the valuation allowance primarily related to state and foreign net operating loss carryforward and credits, and to certain other state deferred tax assets.

A reconciliation between the effective income tax rate and the federal statutory rate for the following years ended December 31 is:

	2016	2015	2014
Federal statutory rate	35%	35%	35%
State taxes, net of federal benefit	1%	4%	2%
Operations taxed at other than U.S. rate	(13)%	24%(A)	(2)%(A)
Research and development tax credit	(1)%	(2)%	(1)%
Other	(2)%	—	—
	20%	61%	34%

(A) Includes the tax effects of litigation charges, net, which consist primarily of product liability claims allocated to a low tax jurisdiction.

The company's foreign tax incentives consist of incentive tax grants in Malaysia and Puerto Rico. The company's grant in Malaysia expired during 2015 and the company's grant in Puerto Rico will expire in 2028. The approximate dollar and per share effects of the Malaysian and Puerto Rican tax grants were as follows:

(dollars in millions, except per share amounts)	2016	2015(A)	2014(A)
Tax benefit	$ 92.2	$ 2.3	$ 7.0
Per share benefit	$ 1.23	$ 0.03	$ 0.09

(A) Litigation charges, net, reduced the tax benefit recognized from the incentive tax grant in Puerto Rico.

A tax benefit from an uncertain tax position may be recognized only if it is more likely than not that the position is sustainable based on its technical merits. The tax benefit of a qualifying position is the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement with a taxing authority having full knowledge of all relevant information. A reconciliation of the gross amounts of unrecognized tax benefits, excluding interest and penalties, is as follows:

(dollars in millions)	2016	2015
Balance, January 1	$ 22.3	$ 36.1
Additions related to prior year tax positions	0.7	2.9
Reductions related to prior year tax positions	(2.7)	(4.8)
Additions for tax positions of the current year	3.4	2.1
Settlements	(1.1)	(12.4)
Lapse of statutes of limitation	(1.1)	(1.6)
Balance, December 31	$ 21.5	$ 22.3

The company operates in multiple taxing jurisdictions and faces audits from various tax authorities regarding transfer pricing, the deductibility of certain expenses, intercompany transactions and other matters. As of December 31, 2016, the liability for unrecognized tax benefits related to federal, state and foreign taxes was $21.5 million (of which $18.4 million would impact the effective tax rate if recognized), plus $2.6 million of accrued interest. As of December 31, 2015, the liability for unrecognized tax benefits was $22.3 million plus $2.8 million of accrued interest. Interest and penalties associated with uncertain tax positions amounted to expense of $0.3 million in both 2016 and 2015, and a credit of $0.2 million in 2014.

The company is currently under examination in several tax jurisdictions and remains subject to examination until the statutes of limitation expire. Within specific countries, the company may be subject to audit by various tax authorities, and subsidiaries operating within the country may be subject to different statutes of limitation expiration dates. As of December 31, 2016, a summary of the tax years that remain subject to examination in the company's major tax jurisdictions are:

United States – federal	2014 and forward
United States – states	2008 and forward
China	2008 and forward
Germany	2010 and forward
Japan	2012 and forward
Malaysia	2010 and forward
Puerto Rico	2012 and forward
United Kingdom	2015 and forward

In 2016 and 2014, the company's income tax provision was reduced by $2.6 million and $10.9 million, respectively, as a result of the completion of certain U.S. Internal Revenue Service ("IRS") examinations. Depending upon open tax examinations and/or the expiration of applicable statutes of limitation, the company believes that it is reasonably possible that the total amount of unrecognized tax benefits may decrease by up to $5.1 million within the next 12 months.

At December 31, 2016, the company did not provide for income taxes on the undistributed earnings of certain foreign operations of approximately $2.5 billion as it is the company's intention to permanently reinvest these undistributed earnings outside of the United States. Determination of the amount of unrecognized deferred tax liability related to these permanently reinvested earnings is not practicable.

5. Earnings per Common Share

Earnings per share ("EPS") is computed under the two-class method, which requires nonvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents to be treated as a separate class of securities in calculating EPS. Participating securities include nonvested restricted stock and units, nonvested shares or units under the management stock purchase program, and certain other nonvested stock-based awards. EPS is computed using the following common share information for the following years ended December 31:

(dollars and shares in millions)	2016	2015	2014
EPS Numerator:			
Net income attributable to common shareholders	$ 531.4	$ 135.4	$ 294.5
Less: Income allocated to participating securities	2.6	1.9	4.8
Net income available to common shareholders	$ 528.8	$ 133.5	$ 289.7
EPS Denominator:			
Weighted average common shares outstanding	74.0	74.1	75.6
Dilutive common share equivalents from share-based compensation plans	1.2	1.3	1.5
Weighted average common and common equivalent shares outstanding, assuming dilution	75.2	75.4	77.1

6. Financial Instruments

Foreign Exchange Derivative Instruments

The company enters into readily marketable forward and option contracts with financial institutions to help reduce its exposure to foreign currency exchange rate fluctuations. These contracts limit volatility because gains and losses associated with foreign currency exchange rate movements are generally offset by movements in the underlying hedged item. The notional value of the company's forward currency and option currency contracts was $243.2 million and $191.6 million at December 31, 2016 and 2015, respectively.

Interest Rate Derivative Instruments

In January 2016, the company's outstanding interest rate swap contract was settled concurrent with the maturity of the underlying 2.875% fixed-rate notes. The notional value of the company's interest rate swap was $250 million and effectively converted these fixed-rate notes to a floating-rate instrument.

In May 2016, the company's forward starting interest rate swap contract with a notional value of $250 million was settled concurrent with the issuance of the 3.000% Notes due 2026. The fair value of the forward starting interest rate swap contract at settlement recorded in accumulated other comprehensive loss was a loss of $23.3 million. This loss will be recognized as interest expense over the term of the 3.000% Notes due 2026.

The location and fair value of derivative instruments that are designated as hedging instruments recognized in the consolidated balance sheets at December 31, are as follows:

		Fair Value of Derivatives	
Derivatives Designated as Hedging Instruments	**Balance Sheet Location**	**2016**	**2015**
(dollars in millions)			
Forward currency contracts	Other current assets	$ 10.9	$ 2.9
Option currency contracts	Other current assets	—	3.8
Interest rate swap contract	Other current assets	—	0.2
Forward currency contracts	Other assets	3.9	—
		$ 14.8	$ 6.9
Forward currency contracts	Accrued expenses	$ 6.2	$ 6.2
Interest rate swap contract	Accrued expenses	—	8.0
		$ 6.2	$ 14.2

The location and amounts of gains and losses on derivative instruments designated as cash flow hedges and the impact on shareholders' investment for the years ended December 31, are as follows:

	Gain/(Loss) Recognized in Other Comprehensive Income (Loss)			Location of Gain/(Loss) Reclassified From Accumulated Other Comprehensive Loss into Income	Gain/(Loss) Reclassified from Accumulated Other Comprehensive Loss into Income		
(dollars in millions)	2016	2015	2014		2016	2015	2014
Forward currency contracts	$ 2.3	$ (5.1)	$ (4.6)	Cost of goods sold	$ (7.7)	$ (2.3)	$ 1.4
Option currency contracts	(3.4)	10.1	6.8	Cost of goods sold	(0.6)	13.4	(2.0)
Interest rate swap contract	(15.3)	(8.2)	0.2	Interest expense	(1.5)	—	—
	$ (16.4)	$ (3.2)	$ 2.4		$ (9.8)	$ 11.1	$ (0.6)

At December 31, 2016, the company had losses of approximately $0.2 million in accumulated other comprehensive loss in the consolidated balance sheet that are expected to be reclassified into earnings in 2017.

Financial Instruments Measured at Fair Value on a Recurring Basis

Fair value is defined as the exit price that would be received to sell an asset or paid to transfer a liability. Fair value is a market-based measurement that is determined using assumptions that market participants would use in pricing an asset or liability. The fair value guidance establishes a three-level hierarchy which maximizes the use of observable inputs and minimizes the use of unobservable inputs used in measuring fair value. The levels within the hierarchy range from Level 1 having observable inputs to Level 3 having unobservable inputs.

The following table summarizes certain financial instrument assets/(liabilities) measured at fair value on a recurring basis at December 31:

(dollars in millions)	2016	2015
Forward currency contracts	$ 8.6	$ (3.3)
Option currency contracts	—	3.8
Interest rate swap contracts	—	(7.8)

The fair values were measured using significant other observable inputs and valued by reference to similar financial instruments, adjusted for restrictions and other terms specific to each instrument. These financial instruments are categorized as Level 2 under the fair value hierarchy.

The fair value of the liability for contingent consideration related to acquisitions was measured using significant unobservable inputs and is categorized as Level 3 under the fair value hierarchy. The change in the liability for contingent consideration is as follows:

(dollars in millions)	2016	2015
Balance, January 1	$ 11.2	$ 23.1
Purchase price contingent consideration	17.1	5.7
Payments	(2.3)	(8.0)
Change in fair value of contingent consideration	(11.1)	(9.6)
Balance, December 31	$ 14.9	$ 11.2

Financial Instruments Not Measured at Fair Value

The estimated fair value of long-term debt (including current maturities and the effect of the related swap contract) was $1,688.0 million and $1,449.8 million at December 31, 2016 and 2015, respectively. The fair value was estimated using dealer quotes for similarly-rated debt instruments over the remaining contractual term of the company's obligation and is categorized as Level 2 under the fair value hierarchy.

The fair value of the deferred future payments related to the Medicon Acquisition of $52.3 million and $66.0 million at December 31, 2016 and 2015, respectively, approximated the carrying value. During 2016, the company made a payment related to the Medicon Acquisition of $18.4 million. The fair value was estimated by discounting the future payments based upon the timing of such payments and is categorized as Level 2 under the fair value hierarchy.

Concentration Risks

The company is potentially subject to concentration of credit risk through its cash equivalents and accounts receivable. The company performs periodic evaluations of the relative credit standing of its financial institutions and limits the amount of credit exposure with any one institution. Concentrations of risk with respect to trade accounts receivable are limited due to the large number of customers dispersed across many geographic areas.

Accounts receivable balances include sales to government-supported healthcare systems outside the United States. The company monitors economic conditions and evaluates accounts receivable in certain countries for potential collection risks. Economic conditions and other factors in certain countries, particularly in Spain, Italy, Greece and Portugal, have resulted in, and may continue to result in, an increase in the average length of time that it takes to collect these accounts receivable and may require the company to re-evaluate the collectability of these receivables in future periods. At December 31, 2016, the company's accounts receivable, net of allowances, from the national healthcare systems and private sector customers in these four countries was $44.6 million, of which $3.3 million was greater than 365 days past due.

Sales to distributors, which supply the company's products to many end-users, accounted for approximately 36% of the company's net sales in 2016 and the five largest distributors combined accounted for approximately 51% of distributors' sales in 2016. One large distributor accounted for approximately 8% of the company's net sales in 2016 and 9% of the company's net sales in each of 2015 and 2014. This distributor represented gross receivables of approximately $37.3 million and $45.4 million as of December 31, 2016 and 2015, respectively.

7. Inventories

Inventories at December 31 consisted of:

(dollars in millions)	2016	2015
Finished goods	$ 292.8	$ 252.3
Work in process	27.0	23.8
Raw materials	163.2	137.6
	$ 483.0	$ 413.7

Consigned inventory was $59.4 million and $53.2 million at December 31, 2016 and 2015, respectively.

8. Other Intangible Assets

Other intangible assets at December 31 consisted of:

	2016		2015	
(dollars in millions)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Core and developed technologies	$ 1,197.7	$ (511.3)	$ 1,161.6	$ (417.3)
Customer relationships	171.6	(53.2)	150.1	(70.3)
In-process research and development	121.5	—	115.7	—
Other intangibles	190.8	(107.1)	184.9	(105.6)
	$ 1,681.6	$ (671.6)	$ 1,612.3	$ (593.2)

Amounts capitalized as IPR&D are accounted for as indefinite-lived intangible assets until completion or abandonment of the project. See Note 3 of the notes to consolidated financial statements for further discussion of IPR&D impairment charges.

Amortization expense was $130.5 million, $119.5 million and $108.8 million in 2016, 2015 and 2014, respectively. The estimated amortization expense for the years 2017 through 2021 based on the company's amortizable intangible assets as of December 31, 2016 is as follows: 2017 - $127.6 million; 2018 - $123.6 million; 2019 - $119.2 million; 2020 - $107.0 million; and 2021 - $88.5 million.

9. Debt

Long-term debt including current maturities at December 31 consisted of:

(dollars in millions)	2016	2015
2.875% notes due 2016	$ —	$ 250.2
1.375% notes due 2018	499.1	498.2
4.40% notes due 2021	496.9	496.1
3.000% notes due 2026	495.9	—
6.70% notes due 2026	149.8	149.8
	$ 1,641.7	$ 1,394.3

As discussed in Note 1 of the notes to consolidated financial statements, the company retrospectively adopted an accounting standard update that requires debt issuance costs to be presented as a direct deduction from the carrying amount of the related debt. The adoption of this update required the reclassification of $3.7 million from other assets to long-term debt on the 2015 consolidated balance sheet.

In January 2016, the company redeemed, at maturity, its 2.875% notes due 2016, primarily through the issuance of commercial paper. On May 9, 2016, the company issued $500 million aggregate principal amount of 3.000% senior unsecured notes due 2026. Interest on the notes is payable semi-annually. Net proceeds from this offering were approximately $495.6 million, after deducting debt offering costs, consisting of underwriting commissions and offering expenses of $4.3 million and a debt issuance discount of $0.1 million, which were both recorded to long-term debt. The debt offering costs and debt issuance discount will be amortized over the term of the notes. Net proceeds from the issuance of the notes were used for general corporate purposes, including repayment of outstanding commercial paper.

With the exception of the 6.70% notes due 2026, the notes included in the above table are redeemable in whole or in part at any time, at the company's option at specified redemption prices or, at the holder's option, upon change of control triggering event, as defined in the applicable indenture.

In November 2016, the company amended its $1.0 billion five-year committed syndicated bank credit facility that was scheduled to expire in November 2020. The amendment extends the commitment termination date until November 2021. The amended credit facility supports the company's commercial paper program and can be used for general corporate purposes. The facility includes pricing based on the company's long-term credit ratings and includes a financial covenant that limits the amount of total debt to total capitalization. At December 31, 2016, the company was in compliance with this covenant. There were no commercial paper borrowings outstanding at December 31, 2016 or 2015.

10. Commitments and Contingencies

In the ordinary course of business, the company is subject to various legal proceedings, investigations and claims, including, for example, environmental matters, employment disputes, disputes on agreements and other commercial disputes. In addition, the company operates in an industry susceptible to significant product liability and patent legal claims. The company accounts for estimated losses with respect to legal proceedings and claims when such losses are probable and reasonably estimable. If the estimate of a probable loss is a range and no amount within the range is more likely, the company accrues the minimum amount of the range. Legal costs associated with these matters are expensed as incurred. At any given time, in the ordinary course of business, the company is involved as either a plaintiff or defendant in a number of patent infringement actions. If a third party's patent infringement claim were to be determined against the company, the company might be required to make significant royalty or other payments or might be subject to an injunction or other limitation on its ability to manufacture or distribute one or more products. If a patent owned by or licensed to the company is found to be invalid or unenforceable, the company might be required to reduce the value of certain intangible assets on the company's balance sheet and to record a corresponding charge, which could be significant in amount. Many of the company's legal proceedings and claims could have a material adverse effect on its business, results of operations, financial condition and/or liquidity.

The company requires limited product warranty accruals as the majority of the company's products are intended for single use. Certain of the company's products carry limited warranties that in general do not exceed one year from sale. The company accrues estimated product warranty costs at the time of sale.

Product Liability Matters

Hernia Product Claims

As of December 31, 2016, approximately 25 federal and 65 state lawsuits involving individual claims by approximately 90 plaintiffs, as well as one putative class action in the United States, are currently pending against the company with respect to its Composix® Kugel® and certain other hernia repair implant products (collectively, the "Hernia Product Claims"). The company voluntarily recalled certain sizes and lots of the Composix® Kugel® products beginning in December 2005. In June 2007, the Composix® Kugel® lawsuits and, subsequently, other hernia repair product lawsuits, pending in federal courts nationwide were transferred into one Multidistrict Litigation ("MDL") for coordinated pre-trial proceedings in the United States District Court for the District of Rhode Island. The MDL stopped accepting new cases in the second quarter of 2014 and was terminated in November 2016, at which time the remaining federal lawsuits were remanded to their courts of original jurisdiction for trial. As of December 31, 2016, all but one of the putative class actions pending against the company was dismissed. The remaining putative class action pending against the company has not been certified and seeks: (i) medical monitoring; (ii) compensatory damages; (iii) punitive damages; (iv) a judicial finding of defect and causation; and/or (v) attorneys' fees. In April 2014, a settlement was reached with respect to the three putative Canadian class actions within amounts previously recorded by the company. Approximately 50 of the state lawsuits, involving individual claims by approximately 50 plaintiffs, are pending in the Superior Court of the State of Rhode Island, with the remainder in various other jurisdictions. The Hernia Product Claims also generally seek damages for personal injury resulting from use of the products.

The company has resolved the majority of its historical Hernia Product Claims, including through agreements or agreements in principle with various plaintiffs' law firms to settle their respective inventories of cases. Each agreement involving the settlement of a firm's inventory of claims was subject to certain conditions, including requirements for participation in the proposed settlements by a certain minimum number of plaintiffs. In addition, the company continues to engage in discussions with other plaintiffs' law firms regarding potential resolution of unsettled Hernia Product Claims, and intends to vigorously defend Hernia Product Claims that do not settle, including through litigation. The company expects additional trials of Hernia Product Claims to take place over the next 12 months. The company cannot give any assurances that the resolution of the Hernia Product Claims that have not settled, including asserted and unasserted claims and the putative class action lawsuit, will not have a material adverse effect on the company's business, results of operations, financial condition and/or liquidity.

Women's Health Product Claims

As of December 31, 2016, product liability lawsuits involving individual claims by approximately 6,235 plaintiffs are currently pending against the company in various federal and state jurisdictions alleging personal injuries associated with the use of certain of the company's surgical continence products for women, which includes products manufactured by both the company and two subsidiaries of Medtronic plc (as successor in interest to Covidien plc) ("Medtronic"), each a supplier of the company. Medtronic has an obligation to defend and indemnify the company with respect to any product defect liability for products its subsidiaries had manufactured. As described below, in July 2015 the company reached an agreement with Medtronic regarding certain aspects of Medtronic's indemnification obligation. In addition, five putative class actions in the United States and five putative class actions in Canada have been filed against the company, and a limited number of other claims have been filed or asserted in various non-U.S. jurisdictions. The foregoing lawsuits, unfiled or unknown claims, putative class actions and other claims, together with claims that have settled or are the subject of agreements or agreements in principle to settle, are referred to collectively as the "Women's Health Product Claims". The Women's Health Product Claims generally seek damages for personal injury resulting from use of the products. The putative class actions, none of which has been certified, seek: (i) medical monitoring; (ii) compensatory damages; (iii) punitive damages; (iv) a judicial finding of defect and causation; and/or (v) attorneys' fees. In April 2015, the Ontario Superior Court of Justice dismissed the plaintiffs' motion for class certification in one Canadian putative class action. In March 2016, the company reached an agreement in principle to resolve all Canadian putative class actions, with the exception of a Quebec class action, within amounts previously recorded by the company, which settlement was finalized in September 2016. In January 2017, the court approved the discontinuance of the proposed Quebec class action.

In October 2010, the Women's Health Product Claims involving solely Avaulta® products pending in federal courts nationwide were transferred into an MDL in the United States District Court for the Southern District of West Virginia (the "WV District Court"), the scope of which was later expanded to include lawsuits involving all women's surgical continence products that are manufactured or distributed by the company. The first trial in a state court was completed in California in July 2012 and resulted in a judgment against the company of approximately $3.6 million. On appeal the decision was affirmed by the appellate court in November 2014. The company filed a petition for review to the California Supreme Court on December 24, 2014, which was denied on February 18, 2015. The judgment in this matter, including interest and costs, was paid on March 20, 2015 within the amounts previously recorded by the company. The first trial in the MDL commenced in July 2013 and resulted in a judgment against the company of approximately $2 million, which was upheld by the Fourth Circuit on January 14, 2016. The company does not believe that any verdicts entered to date are representative of potential outcomes of all Women's Health Product Claims. On January 16, 2014 and July 31, 2014, the WV District Court ordered that the company prepare 200 and then an additional 300 individual cases, respectively, for trial (the "2014 WHP Pre-Trial Orders") (the timing for which is currently unknown). The 2014 WHP Pre-Trial Orders resulted in significant additional litigation-related defense costs beginning in the second quarter of 2014 and continuing through the second quarter of 2015. In February 2015, the WV District Court appointed a Special Master to assist with settlement resolution. In June 2015, the WV District Court issued an order staying the requirement to prepare a significant portion of the cases covered by the 2014 WHP Pre-Trial Orders. Substantially all of the 500 individual cases that are the subject of the 2014 WHP Pre-Trial Orders have been part of agreements or agreements in principle to settle with various plaintiff law firms. In December 2016, the WV District Court lifted the stay of the 2014 WHP Pre-Trial Orders and remanded five of the unsettled cases to their courts of original jurisdiction for trial. In response to a January 27, 2017 court order, the company is required to prepare an additional approximately 243 individual cases for trial (together with the 2014 WHP Pre-Trial Orders, the "WHP Pre-Trial Orders"). The WHP Pre-Trial Orders may result in material additional cost in future periods in defending Women's Health Product Claims. The WV District Court may also order that the company prepare additional cases for trial, which could result in material additional costs in future periods.

As of December 31, 2016, the company reached agreements or agreements in principle with various plaintiffs' law firms to settle their respective inventories of cases totaling approximately 11,000 Women's Health Product Claims, including approximately: 560 during 2014, 6,285 during 2015 and 4,155 during 2016. The company believes that these Women's Health Product Claims are not the subject of Medtronic's indemnification obligation. These settlement agreements and agreements in principle include unfiled and previously unknown claims held by various plaintiffs' law firms, which have not been included in the approximate number of lawsuits set forth in the first paragraph of this section. Each agreement is subject to certain conditions, including requirements for participation in the proposed settlements by a certain minimum number of plaintiffs. The company continues to engage in discussions with other plaintiffs' law firms regarding potential resolution of unsettled Women's Health Product Claims, which may include additional inventory settlements. Notwithstanding these settlement efforts, the company anticipates additional trials over the next 12 months. In addition, one or more possible consolidated trials may occur in the future.

In July 2015, as part of the agreement noted above, Medtronic agreed to take responsibility for pursuing settlement of certain of the Women's Health Product Claims that relate to products distributed by the company under supply agreements with Medtronic and the company has paid Medtronic $121 million towards these potential settlements. The company also may, in its sole discretion, transfer responsibility for settlement of additional Women's Health Product Claims to Medtronic on similar terms. The agreement does not resolve the dispute between the company and Medtronic with respect to Women's Health Product Claims that do not settle, if any. As part of the agreement, Medtronic and the company agreed to dismiss without prejudice their previously filed litigation with respect to Medtronic's obligation to defend and indemnify the company.

The approximate number of lawsuits set forth in the first paragraph of this section does not include approximately 600 generic complaints involving women's health products where the company cannot, based on the allegations in the complaints, determine whether any of those cases involve the company's women's health products. In addition, the approximate number of lawsuits set forth in the first paragraph of this section does not include approximately 830 claims that have been threatened against the company but for which complaints have not yet been filed. In addition, the company has limited information regarding the nature and quantity of these and other unfiled or unknown claims. During the course of engaging in settlement discussions with plaintiffs' law firms, the company has learned, and may in future periods learn, additional information regarding these and other unfiled or unknown claims, or other lawsuits, which could materially impact the company's estimate of the number of claims or lawsuits against the company. While the company continues to engage in discussions with other plaintiffs' law firms regarding potential resolution of unsettled Women's Health Product Claims and intends to vigorously defend the Women's Health Product Claims that do not settle, including through litigation, it cannot give any assurances that the resolution of these claims will not have a material adverse effect on the company's business, results of operations, financial condition and/or liquidity.

Filter Product Claims

As of December 31, 2016, product liability lawsuits involving individual claims by approximately 1,425 plaintiffs are currently pending against the company in various federal and state jurisdictions alleging personal injuries associated with the use of the company's vena cava filter products (all lawsuits, collectively, the "Filter Product Claims"). In August 2015, the Judicial Panel for Multi-District Litigation ("JPML") ordered the creation of a Multi-District Litigation for all federal Filter Product Claims (the "IVC Filter MDL") in the District of Arizona. There are approximately 1,375 Filter Product Claims that have been, or shortly will be, transferred to the IVC Filter MDL, including one medical monitoring class action. The remaining approximately 50 Filter Product Claims are pending in various state courts. In March 2016, a putative Canadian class action was filed against the company in Quebec. In April 2016 and May 2016, putative Canadian class actions were filed in Ontario and British Columbia, respectively. In November 2016, a putative Canadian class action was filed in Saskatchewan. The approximate number of lawsuits set forth above does not include approximately 25 claims that have been threatened against the company but for which complaints have not yet been filed. In addition, the company has limited information regarding the nature and quantity of these and other unfiled or unknown claims. The company continues to receive claims and lawsuits and may in future periods learn additional information regarding other unfiled or unknown claims, or other lawsuits, which could materially impact the company's estimate of the number of claims or lawsuits against the company. The company expects that trials of Filter Product Claims may take place over the next 12 months. While the company intends to vigorously defend Filter Product Claims that do not settle, including through litigation, it cannot give any assurances that the resolution of these claims will not have a material adverse effect on the company's business, results of operations, financial condition and/or liquidity.

General

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

The company believes that some settlements and judgments, as well as some legal defense costs, relating to product liability matters are or may be covered in whole or in part under its product liability insurance policies with a limited number of insurance carriers, or, in some circumstances, indemnification obligations to the company from other parties, which if disputed, the company intends to vigorously contest. Amounts recovered under the company's product liability insurance policies or indemnification arrangements may be less than the stated coverage limits or less than otherwise expected and may not be adequate to cover damages and/or costs relating to claims. In addition, there is no guarantee that insurers or other parties will pay claims or that coverage or indemnity will be otherwise available.

In January 2017, the company reached an agreement to resolve litigation filed in the Southern District of New York by its insurance carriers in connection with Women's Health Product Claims and Filter Product Claims. The agreement requires the insurance carriers to reimburse the company for certain future costs incurred in connection with Filter Product Claims up to an agreed amount. For certain product liability claims or lawsuits, the company does not maintain or has limited remaining insurance coverage.

Other Legal Matters

Since early 2013, the company has received subpoenas or Civil Investigative Demands from a number of State Attorneys General seeking information related to the sales and marketing of certain of the company's products that are the subject of the Hernia Product Claims and the Women's Health Product Claims. The company is cooperating with these requests. Although the company has had discussions with the State Attorneys General with respect to overall potential resolution of this matter, there can be no assurance that a resolution will be reached or what the terms of any such resolution may be. Since it is not feasible to predict the outcome of these proceedings, the company cannot give any assurances that the resolution of these proceedings will not have a material adverse effect on the company's business, results of operations, financial condition and/or liquidity.

In November 2015, the Department of Defense Inspector General issued an investigative subpoena to the company. The Department of Health and Human Services is also participating in this investigation. The subpoena seeks documents related to the company's sales and marketing of certain filter products, drug coated balloon catheters, and peripheral arterial disease detection products. The company is cooperating with these requests. Since it is not feasible to predict the outcome of these proceedings, the company cannot give any assurances that the resolution of these proceedings will not have a material adverse effect on the company's business, results of operations, financial condition and/or liquidity.

In June 2011, W. L. Gore & Associates, Inc. ("Gore") filed suit in the U.S. District Court in Delaware alleging the company had infringed several of Gore's patents. Fact and expert discovery have been completed. In December 2015, the Delaware District Court granted the company's summary judgment motion of no willful infringement. However, that decision was vacated in June 2016 due to a United States Supreme Court ruling that changed the test for willful infringement historically applied by the lower courts. In July 2016, the company's summary judgment motion of laches (undue delay) was denied, at least in part because of the currently pending Supreme Court case on this issue, which was heard during the Fall 2016 term. Previously, the company filed a motion to dismiss a significant portion of Gore's damages claim on the grounds that Gore lacks proper standing. This motion was converted to a motion for summary judgment and was granted in July 2016, effectively reducing the amount of potential damages. The trial has been set for March 2017. The company intends to vigorously defend the allegations asserted by Gore. The company cannot give any assurances that an adverse resolution of this matter will not have a material adverse effect on the company's business, results of operations, financial condition and/or liquidity.

The company is subject to numerous federal, state, local and foreign environmental protection laws governing, among other things, the generation, storage, use and transportation of hazardous materials and emissions or discharges into the ground, air or water. The company is or may become a party to proceedings brought under various federal laws including the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), commonly known as Superfund, the Resource Conservation and Recovery Act, the Clean Water Act, the Clean Air Act and similar state or foreign laws. These proceedings seek to require the owners or operators of contaminated sites, transporters of hazardous materials to the sites and generators of hazardous materials disposed of at the sites to clean up the sites or to reimburse the government for cleanup costs. In most cases, there are other potentially responsible parties that may be liable for remediation costs. In these cases, the government alleges that the defendants are jointly and severally liable for the cleanup costs; however, these proceedings are frequently resolved so that the allocation of cleanup costs among the parties more closely reflects the relative contributions of the parties to the site contamination. The company's potential liability varies greatly from site to site. For some sites, the potential liability is de minimis and for others the costs of cleanup have not yet been determined. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study and are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed probable. The company believes that the proceedings and claims described above will likely be resolved over an extended period of time. While it is not feasible to predict the outcome of these proceedings, based upon the company's experience, current information and applicable law, the company does not expect these proceedings to have a material adverse effect on its financial condition and/or liquidity. However, one or more of the proceedings could be material to the company's business and/or results of operations.

Litigation Reserves

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

In the second quarter of 2014, the company recorded a charge, net of estimated recoveries to other (income) expense, net, of approximately $259 million ($238 million after tax) related to certain of the product liability matters discussed above under the heading "Product Liability Matters". The company recorded this charge based on additional information obtained during the quarter, including but not limited to: the allegations and documentation supporting or refuting such allegations; publicly available information regarding similar medical device mass tort settlements; historical information regarding other product liability settlements involving the company; and the procedural posture and stage of litigation. Specifically, the company considered its discussions with plaintiffs' counsel, the increase in the rate of claims being filed (which led the company to increase its estimate of future Women's Health Product Claims), and the value, number of cases and nature of the inventory of cases with respect to the recent settlements of claims by the company and other manufacturers.

In the second quarter of 2015, the company recorded an additional charge related to these matters, net of estimated recoveries to other (income) expense, net, of approximately $337 million ($325 million after tax). The company recorded this charge based on additional information obtained during the quarter, including with respect to the factors noted above. Specifically the company considered the agreement and the agreement in principle by the company to settle approximately 2,880 Women's Health Product Claims, the involvement of the Special Master in settlement resolution, additional settlements by other manufacturers subject to product liability claims with respect to similar products, and the continued rate of claims being filed (which led the company to increase its estimate of future Women's Health Product Claims).

In the third quarter of 2015, the company recorded an additional charge related to these matters to other (income) expense, net, of approximately $241 million ($228 million after tax). The company recorded this charge based on additional information obtained with respect to the quarter, including with respect to the factors noted above. Specifically, the company considered the agreements and the agreement in principle by the company to settle approximately 3,030 Women's Health Product Claims, discussions with plaintiffs' counsel, additional information learned regarding the nature and quantity of unfiled and unknown claims (which led the company to increase its estimate of future Women's Health Product Claims), a reconciliation of claims in connection with settlements, additional settlements by other manufacturers subject to product liability claims with respect to similar products, the rate of claims being filed, and the creation of the IVC Filter MDL.

In the first quarter of 2016, the company recorded an additional charge related to these matters to other (income) expense, net, of approximately $49 million ($31 million after tax). The company recorded this charge based on additional information obtained with respect to the quarter. Specifically, the company considered, among other factors, additional information learned regarding the nature and quantity of unfiled and filed claims, the increase in advertising by plaintiffs' counsel with respect to IVC filters and an increase in the rate of claims being filed in Filter Product Claims (which led the company to increase its estimate of future Filter Product Claims).

In the third quarter of 2016, the company recorded an additional charge related to these matters to other (income) expense, net, of approximately $111 million ($77 million after tax). The company recorded this charge based on additional information obtained with respect to the quarter, including with respect to the factors noted above. Specifically, the company considered, among other factors, additional information learned regarding Product Liability Matters, including regarding the nature and quantity of unfiled and filed claims and the continued rate of claims being filed in certain Product Liability Matters (which led the company to increase its estimate of future claims for certain Product Liability Matters, including Filter Product Claims).

In the fourth quarter of 2016, the company recorded an additional charge related to these matters to other (income) expense, net, of approximately $46 million ($31 million after tax). The company recorded this charge based on additional information obtained with respect to the quarter, including regarding cases settled by certain other manufacturers, public information available from the court, unfiled and filed claims, the status of certain settlement discussions and information regarding plaintiff law firm inventories.

These charges recognized the estimated costs for the product liability matters discussed above, including (with respect to such matters) filed and an estimate of unfiled and unknown claims, and costs to administer the settlements related to such matters. These charges exclude any costs associated with certain of the putative class action lawsuits in the United States and Canada.

The company cannot give any assurances that the actual costs incurred with respect to these product liability matters will not exceed the related amounts accrued. With respect to product liability claims that are not resolved through settlement, the company intends to vigorously defend against such claims, including through litigation. The company cannot give any assurances that the resolution of any of its product liability matters, including filed, unfiled and unknown claims and the putative class action lawsuits, will not have a material adverse effect on the company's business, results of operations, financial condition and/or liquidity.

Accruals for product liability and other legal matters amounted to $1,201.5 million, of which $605.3 million was recorded to accrued expenses, and $1,174.3 million, of which $516.5 million was recorded to accrued expenses, at December 31, 2016 and December 31, 2015, respectively. The company has made total payments of $762.4 million to qualified settlement funds ("QSFs"), subject to certain settlement conditions, for certain product liability matters since 2011, of which $375.2 million were made to QSFs during 2016. Payments to QSFs are recorded as a component of restricted cash. Total payments of $562.7 million from these QSFs have been made to qualified claimants, of which $254.0 million were made during 2016. In addition, other payments of $73.3 million have been made to qualified claimants, of which $10.8 million were made during 2016.

The company recorded expected recoveries related to product liability matters amounting to $267.3 million, of which $156.2 million was recorded to other current assets, and $132.8 million, of which $132.1 million was recorded to other assets, at December 31, 2016 and December 31, 2015, respectively. A substantial amount of these expected recoveries at December 31, 2016 relate to the company's agreements with Medtronic related to certain Women's Health Product Claims. The terms of the company's agreement with Medtronic are substantially consistent with the assumptions underlying, and the manner in which, the company has recorded expected recoveries related to the indemnification obligation. The expected recoveries at December 31, 2016 and 2015 related to the indemnification obligation are not in dispute with respect to claims that Medtronic settles pursuant to the agreement. As described above, the agreement does not resolve the dispute between the company and Medtronic with respect to Women's Health Product Claims that do not settle, if any, and the company also may, in its sole discretion, transfer responsibility for settlement of additional Women's Health Product Claims to Medtronic on similar terms.

The company is unable to estimate the reasonably possible losses or range of losses, if any, arising from certain existing product liability matters and other legal matters. Under U.S. generally accepted accounting principles, an event is "reasonably possible" if "the chance of the future event or events occurring is more than remote but less than likely" and an event is "remote" if "the chance of the future event or events occurring is slight". With respect to putative class action lawsuits in the United States and certain of the Canadian lawsuits relating to product liability matters, the company is unable to estimate a range of reasonably possible losses for the following reasons: (i) all or certain of the proceedings are in early stages; (ii) the company has not received and reviewed complete information regarding all or certain of the plaintiffs and their medical conditions; and/or (iii) there are significant factual issues to be resolved. In addition, there is uncertainty as to the likelihood of a class being certified or the ultimate size of the class. In addition, with respect to the investigative subpoenas issued by various state and federal government agencies and other legal matters, the company is unable to estimate a range of reasonably possible losses for the following reasons: (i) all or certain of the proceedings are in early stages; and/or (ii) there are significant factual and legal issues to be resolved. With respect to Gore's suit against the company alleging infringement of certain of Gore's patents, the company is unable to estimate a range of reasonably possible losses for the following reasons: (i) the stage of the proceedings; and/or (ii) there are significant factual and legal issues to be resolved.

The company is committed under noncancelable operating leases involving certain facilities and equipment. The minimum annual rentals under the terms of these leases are as follows: 2017 - $35.0 million; 2018 - $29.8 million; 2019 - $21.6 million; 2020 - $15.3 million; 2021 - $10.3 million and thereafter - $37.0 million. Total rental expense for operating leases approximated $34.8 million in 2016, $31.7 million in 2015 and $32.3 million in 2014.

11. Share-Based Compensation Plans

The company may grant a variety of share-based payments under the 2012 Long Term Incentive Plan of C. R. Bard, Inc., as amended and restated (the "LTIP") and the 2005 Directors' Stock Award Plan of C. R. Bard, Inc., as amended and restated (the "Directors' Plan") to certain directors, officers and employees. The total number of remaining shares at December 31, 2016 that may be issued under the LTIP was 3,639,647 and under the Directors' Plan was 21,890. Awards under the LTIP may be in the form of stock options, stock appreciation rights, limited stock appreciation rights, restricted stock, unrestricted stock and other stock-based awards. Awards under the Directors' Plan may be in the form of stock awards, stock options or stock appreciation rights. The company also has two employee stock purchase programs.

Amounts charged against income for share-based payment arrangements were $90.0 million for 2016, $81.8 million for 2015 and $71.4 million for 2014. The related income tax benefit recognized in income for share-based payment arrangements was $30.2 million for 2016, $27.7 million for 2015 and $24.2 million for 2014.

As of December 31, 2016, there were $144.3 million of unrecognized compensation costs related to share-based payment arrangements. These costs are expected to be recognized over a weighted-average period of approximately two years. The company has sufficient shares to satisfy expected share-based payment arrangements in 2017.

Stock Options—The company grants stock options to certain employees and may grant stock options to directors with exercise prices equal to the average of the high and low prices of the company's common stock on the date of grant. These stock option awards generally have requisite service periods of up to four years, and ten-year contractual terms. Certain stock option awards granted in prior years provided for accelerated vesting after a minimum of two years subject to performance conditions, which were met. Summarized information regarding total stock option activity and amounts for the year ended December 31, 2016 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (millions)
Outstanding - January 1	3,918,435	$ 124.77		
Granted	249,213	218.15		
Exercised	(795,663)	97.31		
Canceled/forfeited	(76,106)	155.19		
Outstanding - December 31	3,295,879	$ 137.76	6.5	$ 286.5
Exercisable	2,129,474	$ 113.99	5.35	$ 235.7

The company uses a binomial-lattice option valuation model to estimate the fair value of stock options. The assumptions used to estimate the fair value of the company's stock option grants for the following years ended December 31 are:

	2016	2015	2014
Dividend yield	0.5%	0.5%	0.6%
Risk-free interest rate	1.6%	1.3%	1.2%
Expected option life in years	7.4	6.5	6.5
Expected volatility	21%	21%	21%
Option fair value	$ 54.71	$ 40.94	$ 35.69

Compensation expense related to stock options was $23.9 million, $22.6 million and $19.4 million for the years ended December 31, 2016, 2015 and 2014, respectively. At December 31, 2016, there were $31.6 million of total unrecognized compensation costs related to nonvested stock options. These costs are expected to be recognized over a weighted-average period of approximately two years. During the years ended December 31, 2016, 2015 and 2014, 650,782, 730,082 and 709,882 options, respectively, vested with a weighted-average fair value of $31.45, $26.11 and $23.07, respectively. The total intrinsic value of stock options exercised during 2016, 2015 and 2014 was $91.7 million, $94.6 million and $95.7 million, respectively.

Cash received from stock option exercises for the years ended December 31, 2016, 2015 and 2014 was $75.0 million, $89.4 million and $120.9 million, respectively. The actual tax benefit realized for the tax deductions from option exercises was $30.3 million, $32.1 million and $32.2 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Restricted Stock and Units—Restricted stock awards entitle employees to voting and dividend rights. Restricted stock units entitle employees to dividend rights. Certain restricted stock awards have performance features. Restricted stock and unit grants have requisite service periods of between four to five years. Compensation expense related to restricted stock and units was $23.1 million, $23.8 million and $21.7 million for the years ended December 31, 2016, 2015 and 2014, respectively. At December 31, 2016, there were $52.9 million of total unrecognized compensation costs related to nonvested restricted stock and unit awards. These costs are expected to be recognized over a weighted-average period of approximately two years. The activity in the nonvested restricted stock and unit awards for the year ended December 31, 2016 is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding - January 1	471,920	$ 147.41
Granted	178,825	219.63
Vested	(165,115)	129.87
Forfeited	(12,542)	153.13
Outstanding - December 31	473,088	$ 180.67

Other Restricted Stock Units—Certain other restricted stock units have requisite service periods of between four and seven years. No voting or dividend rights are associated with these grants until the underlying shares are issued upon vesting. Compensation expense related to these awards was $9.1 million, $7.3 million and $7.1 million for the years ended December 31, 2016, 2015 and 2014, respectively. At December 31, 2016, there were $31.7 million of total unrecognized compensation costs related to these nonvested restricted stock unit awards. These costs are expected to be recognized over a weighted-average period of approximately four years. The activity in the nonvested restricted stock unit awards for the year ended December 31, 2016 is as follows:

`	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding - January 1	406,533	$ 115.30
Granted	99,240	200.12
Vested	(79,750)	96.65
Forfeited	(23,933)	139.71
Outstanding - December 31	402,090	$ 138.47

Performance Restricted Stock Units—In the first quarter of each of 2016, 2015 and 2014, the company granted performance restricted stock units to officers. These units have requisite service periods of three years and have no dividend rights. Compensation expense related to performance restricted stock units was $18.8 million, $14.9 million and $12.7 million for the years ended December 31, 2016, 2015 and 2014, respectively. At December 31, 2016, there were $19.4 million of total unrecognized compensation costs related to nonvested performance restricted stock units. These costs are expected to be recognized over a weighted-average period of approximately two years. The actual payout of these units varies based on the company's performance over the three-year period based on pre-established targets over the period and a market condition modifier based on total shareholder return ("TSR") compared to an industry peer group. The actual payout under these awards may exceed an officer's target payout; however, compensation cost initially recognized assumes that the target payout level will be achieved and may be adjusted for subsequent changes in the expected outcome of the performance-related condition. The fair values of these units are based on the market price of the company's stock on the date of the grant and use a Monte Carlo simulation model for the TSR component. The fair values of the TSR components of the 2016, 2015 and 2014 grants were estimated based on the following assumptions: risk-free interest rate of 0.83%, 0.86% and 0.70%, respectively; dividend yield of 0.52%, 0.51% and 0.62%, respectively; and expected life of approximately 2.9 years for the 2016 and 2014 grants and 2.8 years for the 2015 grant. At December 31, 2016 and 2015, there were 313,412 and 304,751 nonvested performance restricted stock units outstanding, respectively.

Other Stock-Based Awards—The company grants stock awards to directors. Shares have been generally distributed to directors annually and have a requisite service period of three years. The fair value of these awards is charged to compensation expense over the directors' terms. Restrictions limit the sale or transfer of these awards until the awarded stock vests. There are voting and dividend rights associated with these awards. Compensation expense related to these stock awards was $0.8 million for both of the years ended December 31, 2016 and 2015, and $0.9 million for the year ended December 31, 2014. At December 31, 2016, there were $0.4 million of total unrecognized compensation costs related to nonvested other stock-based awards. These costs are expected to be recognized over a weighted-average period of approximately two years. At December 31, 2016 and 2015, nonvested other stock-based awards of 13,076 and 13,741 shares, respectively, were outstanding.

Management Stock Purchase Program—The company maintains a management stock purchase program under the Plan (together with a predecessor stock purchase plan, the "MSPP"). Under the MSPP, employees at a specified level may purchase, with their eligible annual bonus, common stock units at a 30% discount from the lower of the price of the common stock on July 1 of the previous year or on the date of purchase, which occurs on the date bonuses are approved by the Board of Directors. Employees make an election on or before June 30 of the previous year as to the percentage of their eligible annual bonus that will be used to purchase common stock units under the MSPP. The company's predecessor plan provided for the purchase of shares of the company's common stock. Employees are required to allocate at least 25% of their eligible annual bonuses to purchase common stock units under the MSPP to the extent they have not satisfied certain stock ownership guidelines. MSPP shares or units are restricted from sale or transfer for four years from the purchase date. Only shares or units corresponding to the 30% discount are forfeited if the employee's employment terminates prior to the end of the four-year vesting period. Dividends or dividend-equivalents are paid on MSPP shares or units, and the participant has the right to vote all MSPP shares. The activity in the MSPP for the year ended December 31, 2016 is as follows:

	Number of Shares	WeightedAverage Grant Date Fair Value
Outstanding - January 1	197,997	$ 39.70
Purchased	54,359	60.54
Vested	(44,562)	32.44
Forfeited	(7,790)	47.96
Outstanding - December 31	200,004	$ 46.66

The company uses the Black-Scholes model, as a result of the option-like features of the MSPP, to estimate the expense associated with anticipated MSPP purchases. Compensation expense is recognized over a period that will end four years after purchase. The assumptions used for the following years ended December 31 are:

	2016	2015	2014
Dividend yield	0.5%	0.6%	0.6%
Risk-free interest rate	0.39%	0.16%	0.07%
Expected life in years	0.6	0.6	0.6
Expected volatility	18%	17%	20%
Fair value	$ 83.23	$ 60.47	$ 51.82

Compensation expense related to this program was $10.7 million, $9.2 million and $6.7 million for the years ended December 31, 2016, 2015 and 2014, respectively. At December 31, 2016, there were $8.3 million of total unrecognized compensation costs related to nonvested MSPP shares and units. These costs are expected to be recognized over a weighted-average period of approximately two years.

Employee Stock Purchase Plan—Under the Employee Stock Purchase Plan of C. R. Bard, Inc. as Amended and Restated ("ESPP"), domestic employees and certain foreign employees can purchase Bard stock at a 15% discount to the lesser of the market price on the beginning or ending date of the six-month periods ending June 30 and December 31 of each year. Participants in the ESPP may elect to make after-tax payroll deductions of 1% to 10% of compensation as defined by the plan up to the stated maximum of $20,000 per year. The ESPP is intended to meet the requirements of Section 423 of the Internal Revenue Code of 1986, as amended. At December 31, 2016, 185,383 shares were available for purchase under the ESPP. Employee payroll deductions are for six-month periods beginning each January 1 and July 1. Shares of the company's common stock are purchased on June 30 or December 31 or the following business day, unless either the purchase of such shares was delayed at the election of the participant or the participant's employment was terminated. Purchased shares are restricted for sale or transfer for a six-month period. All participant funds received prior to the ESPP purchase dates are held as company liabilities without interest or other increment. No dividends are paid on employee contributions until shares are purchased.

The company values the ESPP purchases utilizing the Black-Scholes model. The weighted average assumptions used for the following years ended December 31 are:

	2016	2015	2014
Dividend yield	0.5%	0.6%	0.6%
Risk-free interest rate	0.45%	0.14%	0.08%
Expected life in years	0.5	0.5	0.5
Expected volatility	21%	17%	18%
Fair value	$ 42.71	$ 33.45	$ 27.73

Compensation expense related to this plan was $3.6 million, $3.2 million and $2.9 million for the years ended December 31, 2016, 2015 and 2014, respectively. For the years ended December 31, 2016 and 2015, employees purchased 94,841 and 107,359 shares, respectively.

12. Pension and Other Postretirement Benefit Plans

Defined Benefit Pension Plans

The company has both tax-qualified and nonqualified, noncontributory defined benefit pension plans that together cover certain domestic and foreign employees. These plans provide benefits based upon a participant's compensation and years of service. The nonqualified plans are made up of the following arrangements: a nonqualified supplemental deferred compensation arrangement and a nonqualified excess pension deferred compensation arrangement (together, "the nonqualified plans"). The nonqualified supplemental deferred compensation arrangement provides supplemental income to key executives of the company. The benefit is determined by the accumulation of an account balance that results from a percentage of pay credit and interest. No deferrals of pay are required from participants. The balance is paid to a participant after retirement over a 15-year period. The nonqualified excess pension deferred compensation arrangement provides benefits to key employees that cannot be provided by the qualified plan due to IRS limitations.

The change in benefit obligation, change in fair value of plan assets and funded status for the plans are as follows:

(dollars in millions)	2016	2015
Benefit obligation - beginning	$ 586.9	$ 544.0
Service cost	29.2	30.1
Interest cost	19.0	20.2
Transfers–Medicon	(19.1)	25.4
Curtailment	(5.9)	—
Actuarial loss (gain)	24.3	6.1
Benefits paid	(31.8)	(33.1)
Currency/other	(13.3)	(5.8)
Benefit obligation - ending	$ 589.3	$ 586.9
Fair value of plan assets - beginning	$ 462.6	$ 455.6
Actual return on plan assets	35.6	(5.1)
Company contributions	34.8	31.6
Transfers–Medicon	(19.0)	17.9
Benefits paid	(31.8)	(33.1)
Currency/other	(12.5)	(4.3)
Fair value of plan assets - ending	$ 469.7	$ 462.6
Funded status of the plans, December 31	$ (119.6)	$ (124.3)

Foreign benefit plan assets at fair value included in the preceding table were $86.8 million and $107.8 million at December 31, 2016 and 2015, respectively. The foreign pension plan benefit obligations included in this table were $102.4 million and $123.1 million at December 31, 2016 and 2015, respectively. The benefit obligation for nonqualified plans also included in this table was $86.4 million and $78.9 million at December 31, 2016 and 2015, respectively. The nonqualified plans are generally not funded.

At December 31, 2016 and 2015, the accumulated benefit obligation for all pension plans was $537.6 million and $526.4 million, respectively. At December 31, 2016 and 2015, the accumulated benefit obligation for foreign pension plans was $87.6 million and $105.5 million, respectively. The accumulated benefit obligation for the nonqualified plans was $82.8 million and $75.1 million at December 31, 2016 and 2015, respectively.

For pension plans with benefit obligations in excess of plan assets at December 31, 2016 and 2015, the fair value of plan assets was $469.7 million and $444.7 million, respectively, and the benefit obligation was $589.3 million and $576.3 million, respectively. For pension plans with accumulated benefit obligations in excess of plan assets at December 31, 2016 and 2015, the fair value of plan assets was $8.0 million and $7.1 million, respectively, and the accumulated benefit obligation was $94.6 million and $96.6 million, respectively.

Defined benefit plans are an exception to the recognition and fair value measurement principles in business combinations. Defined benefit plan obligations are recognized and measured in accordance with the accounting principles for benefit plans rather than at fair value. Accordingly, at the time of acquisition, the company remeasured the benefit plans sponsored by Medicon and recognized an asset or liability for the funded status of these plans. See Note 2 of the notes to consolidated financial statements.

In the fourth quarter of 2016, the Medicon defined benefit pension plans were frozen to further benefit accruals and closed to new participants. This action required a remeasurement of the plans' assets and obligations, which resulted in a non-cash curtailment gain of $5.3 million. These plans were converted to a defined contribution plan.

Amounts recognized in accumulated other comprehensive loss at December 31 consisted of:

(dollars in millions)	2016	2015
Net loss	$ 169.2	$ 163.7
Prior service credit	(1.9)	(2.7)
Before tax amount	$ 167.3	$ 161.0
After tax amount	$ 108.7	$ 103.8

The change in net loss in the above table included net losses of $16.7 million ($11.3 million after tax) and $41.3 million ($26.5 million after tax) during the years ended December 31, 2016 and 2015, respectively.

Amounts recognized in the consolidated balance sheets at December 31 consisted of:

(dollars in millions)	2016	2015
Other assets	$ —	$ 7.2
Accrued compensation and benefits	(4.6)	(4.6)
Other long-term liabilities	(115.0)	(126.9)
Net amount recognized	$ (119.6)	$ (124.3)

The estimated net actuarial loss for pension benefits that will be amortized from accumulated other comprehensive loss into net pension cost over the next fiscal year is expected to be $12.7 million.

The components of net periodic benefit cost for the following years ended December 31 are:

(dollars in millions)	2016	2015	2014
Service cost, net of employee contributions	$ 28.8	$ 29.6	$ 26.9
Interest cost	19.0	20.2	21.2
Expected return on plan assets	(32.1)	(31.3)	(27.9)
Amortization of net loss	10.8	12.4	10.4
Amortization of prior service cost	(0.4)	(0.4)	(0.4)
Curtailment	(5.3)	—	—
Net periodic pension cost	$ 20.8	$ 30.5	$ 30.2

The net pension cost attributable to foreign plans included in the above table were a credit of $0.5 million in 2016 and cost of $4.4 million and $4.2 million in 2015 and 2014, respectively.

The weighted average assumptions used in determining pension plan information for the following years ended December 31 are:

	2016	2015	2014
Net Cost			
Discount rate – service cost	4.26%	3.79%	4.58%
Discount rate – interest cost	3.47%	3.79%	4.58%
Expected return on plan assets	6.72%	7.17%	7.26%
Rate of compensation increase	3.57%	3.42%	3.49%
Benefit Obligation			
Discount rate	3.91%	4.03%	3.79%
Rate of compensation increase	3.58%	3.57%	3.42%

Prior to 2016, the company estimated the service and interest cost components using a single weighted-average discount rate derived from the yield curves used to measure the benefit obligation. In 2016, the company changed its method used to estimate the service and interest cost components of net periodic benefit cost for defined benefit plans. The company has elected to use a full yield curve approach in the estimation of these components of benefit cost by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. The company made this change to improve the correlation between projected benefit cash flows and the corresponding yield curve spot rates and to provide a more precise measurement of service and interest costs. The company has accounted for this change as a change in estimate and began to account for it prospectively in 2016. The reduction in service and interest cost for 2016 associated with this change in estimate was approximately $4.8 million.

The long-term rate of return for plan assets is derived from return assumptions determined for each of the significant asset classes. Under this approach, the historical real returns (net of inflation) on different asset classes are combined with long-term expectations for inflation to determine an expected return on assets within that class. These real rates of return for each asset class reflect the long-term historical relationships between equities and fixed income investments. Current market factors such as inflation and interest rates are evaluated before long-term assumptions are determined. The long-term portfolio return is established based on the combination of these asset class real returns and inflation with proper consideration of the effects of diversification and rebalancing.

Plan Assets—The company employs a total return investment approach whereby a mix of equities and fixed income investments are used to balance the need for long-term return of plan assets with a prudent level of risk. The intent of this strategy is to minimize plan expenses by exceeding the interest growth in plan liabilities over the long run. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. This consideration involves the use of long-term measures that address both return and risk and are not impacted significantly by short-term fluctuations. Equity investments include a diversified mix of growth, value and small and large capitalization securities. Investment risks and returns are measured and monitored on an ongoing basis through quarterly investment portfolio reviews.

The weighted average target asset allocations for the plans at December 31, are as follows:

	Target Allocation	
	2016	2015
Asset Categories		
Equity securities	65%	63%
Fixed income securities	33%	35%
Cash equivalents	2%	2%
Total	100%	100%

Due to short-term fluctuations in asset performance, allocation percentages may temporarily deviate from these target allocation percentages before a rebalancing occurs. Cash equivalents are used to satisfy benefit disbursement requirements and will vary throughout the year.

The following table summarizes fair value measurements of plan assets at December 31:

	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Total[B]	
	2016	2015	2016	2015	2016	2015
(dollars in millions)						
Cash equivalents	$ 3.4	$ 7.1	$ —	$ —	$ 3.4	$ 7.1
Equity securities:						
U.S. large-cap	125.7	117.3	—	—	125.7	117.3
U.S. small-cap	40.6	37.2	—	—	40.6	37.2
Foreign	118.0	117.3	—	—	118.0	117.3
Fixed income securities:						
Diversified bond funds[A]	131.6	121.1	—	2.1	131.6	123.2
Foreign government bonds	11.5	17.5	—	3.9	11.5	21.4
Foreign corporate notes and bonds	11.3	12.7	—	—	11.3	12.7
Private alternative investment	—	—	19.6	19.3	19.6	19.3
Guaranteed insurance contracts	—	—	8.0	7.1	8.0	7.1
Total plan assets	$ 442.1	$ 430.2	$ 27.6	$ 32.4	$ 469.7	$ 462.6

(A) Diversified bond funds consists of U.S. Treasury bonds, mortgage backed securities, and corporate bonds.

(B) There were no plan assets categorized as Level 3 at December 31, 2016 or 2015.

As discussed in Note 1 of the notes to consolidated financial statements, the company adopted a new accounting standard update that clarifies that an equity security has a readily determinable fair value if it meets certain conditions. As a result, certain plan assets previously reported as Level 2 were reclassified to Level 1 in the fair value hierarchy for which fair value is readily determinable. These assets include commingled funds invested in cash equivalents, equities and fixed income securities and are valued at net asset value ("NAV") as determined by the fund administrators.

Plan assets categorized as Level 2 primarily consist of private alternative investments, guaranteed insurance contracts and fixed income securities. These assets are valued using other inputs, such as NAV provided by the fund administrators or by dealer quotes for similarly-rated instruments that are observable or that can be corroborated by observable market data for substantially the remaining term of the plan instruments. There were no redemption restrictions on these investments other than for the private alternative investment, which requires a 60 day notice period for quarterly redemptions and a 90 day notice period for monthly redemptions, or unfunded commitments related to assets valued at NAV at December 31, 2016.

Funding Policy and Expected Contributions—The company's objective in funding its domestic tax-qualified plan is to accumulate funds sufficient to provide for all benefits and to satisfy the minimum contribution requirements of ERISA. Outside the United States, the company's objective is to fund the international retirement costs over time within the limits of minimum requirements and allowable tax deductions. The company's annual funding decisions also consider the relationship between the returns on each asset compared to the plan's corresponding expense and consider the relationship between each tax-qualified plan's benefit obligation and its corresponding funded status. The company expects to make discretionary contributions of up to $30 million to its qualified plans in 2017.

The total expected benefit payments are as follows:

(dollars in millions)	
2017	$ 33.9
2018	32.4
2019	34.1
2020	36.1
2021	35.5
2022 through 2026	206.6

Defined Contribution Retirement Plans

All domestic employees of the company not covered by a collective bargaining agreement who have been scheduled for 1,000 hours of service are eligible to participate in the company's defined contribution plan. The amounts charged to income for this plan were $16.0 million, $15.9 million and $14.1 million for the years ended December 31, 2016, 2015 and 2014, respectively. Outside the United States, the company maintains defined contribution plans along with small pension arrangements that are typically funded with insurance products. These arrangements had a total expense of $5.3 million for the year ended December 31, 2016 and $5.1 million for each of the years ended December 31, 2015 and 2014. In addition, the company maintains a long-term deferred compensation arrangement for directors that allows for the deferral of the annual retainer and meeting fees at the director's election and provides certain other long-term compensation benefits. The company annually accrues for long-term compensation, which is paid out upon the director's retirement from the board. These arrangements had a total expense of $6.9 million, $5.5 million and $6.9 million for the years ended December 31, 2016, 2015 and 2014, respectively, and a benefit obligation of $36.1 million and $35.4 million at December 31, 2016 and 2015, respectively.

Other Postretirement Benefit Plan

The company does not provide subsidized postretirement healthcare benefits and life insurance coverage except for a limited number of former employees. As this plan is unfunded, contributions are made as benefits are incurred. The benefit obligation for this plan was $6.2 million and $7.0 million at December 31, 2016 and 2015, respectively. Amounts recognized in accumulated other comprehensive loss were $1.5 million ($0.9 million after tax) for the year ended December 31, 2016 and $2.0 million ($1.3 million after tax) for the year ended December 31, 2015. The net periodic benefit cost was $0.3 million, $0.4 million and $0.5 million for the years ended December 31, 2016, 2015 and 2014, respectively.

13. Other (Income) Expense, Net

The components of other (income) expense, net, for the following years ended December 31 are:

(dollars in millions)	2016	2015	2014
Interest income	$ (1.6)	$ (0.9)	$ (2.0)
Foreign exchange (gains) losses	(1.8)	3.8	1.7
Litigation charges, net	205.2	595.1	288.6
Restructuring and productivity initiative costs	30.4	41.5	11.8
Acquisition-related items	(1.3)	24.7	2.3
Gore Proceeds	—	(210.5)	—
Gain on sale of investment	—	—	(7.1)
Other, net	(1.5)	(4.5)	(4.4)
Total other (income) expense, net	$ 229.4	$ 449.2	$ 290.9

Litigation charges, net – In 2016, the amount reflected the estimated costs for product liability matters, net of recoveries. In 2015, the amount reflected estimated costs for product liability matters, net of recoveries, litigation-related defense costs of $15.1 million in connection with the 2014 WHP Pre-Trial Orders, and certain other litigation-related charges. In 2014, the amount reflected estimated costs for product liability matters, net of recoveries, and litigation-related defense costs of $30.1 million in connection with the 2014 WHP Pre-Trial Orders. See Note 10 of the notes to consolidated financial statements.

Restructuring and productivity initiative costs – In 2016, 2015 and 2014, the amounts primarily reflected costs incurred in connection with productivity initiatives to optimize and streamline certain manufacturing and administrative functions to better align resources to the company's business strategies. Key activities under these initiatives may include systems enhancements, the implementation of shared services centers designed to standardize and centralize certain functions or the outsourcing of certain services. Productivity initiative costs include consulting costs, primarily related to program creation and management, employee separation costs under the company's existing severance program, and other related costs. In 2015 and 2014, employee separation costs of $10.3 million and $1.7 million, respectively, were recognized related to these initiatives. In 2015, the amount also reflected employee separation costs of $7.9 million related to the elimination of certain positions and other terminations worldwide. In 2014, the amount also reflected employee separation costs of $7.5 million primarily to improve the overall cost structure in certain of the company's vascular businesses.

Acquisition-related items – The amounts for 2016, 2015 and 2014 consist of acquisition-related integration costs. The amounts for 2016 and 2015 also include acquisition-related purchase accounting adjustments. See Note 2 of the notes to consolidated financial statements.

Gore Proceeds – In 2015, Gore paid the company $210.5 million, representing the total amount of the enhanced damages awarded by the U.S. District Court for the District of Arizona due to Gore's willfulness in connection with the company's lawsuit against Gore for infringing Bard's patent number 6,436,135 and an audit adjustment related to the payment of royalties through September 30, 2013 (the "Gore Proceeds").

14. Other Comprehensive Income

The changes in accumulated other comprehensive income (loss) by component are as follows:

(dollars in millions)	Derivative Instruments Designated as Cash Flow Hedges	Foreign Currency Translation Adjustments	Benefit Plans[C]	Total
Balance at December 31, 2013	$ —	$ 47.3	$ (68.2)	$ (20.9)
Other comprehensive income (loss) before reclassifications	2.5	(50.4)	(39.9)	(87.8)
Tax (provision) benefit [A]	(2.0)	—	14.9	12.9
Other comprehensive income (loss) before reclassifications, net of taxes	0.5	(50.4)	(25.0)	(74.9)
Reclassifications	0.6[B]	—	10.1	10.7
Tax provision (benefit)	(0.2)	—	(3.5)	(3.7)
Reclassifications, net of tax	0.4	—	6.6	7.0
Other comprehensive income (loss)	0.9	(50.4)	(18.4)	(67.9)
Balance at December 31, 2014	$ 0.9	$ (3.1)	$ (86.6)	$ (88.8)
Other comprehensive income (loss) before reclassifications	$ (2.6)	$ (91.1)	$ (40.9)	$ (134.6)
Tax (provision) benefit [A]	0.7	—	14.6	15.3
Other comprehensive income (loss) before reclassifications, net of taxes	(1.9)	(91.1)	(26.3)	(119.3)
Reclassifications	(11.1)[B]	—	12.1	1.0
Tax provision (benefit)	3.4	—	(4.3)	(0.9)
Reclassifications, net of tax	(7.7)	—	7.8	0.1
Other comprehensive income (loss)	(9.6)	(91.1)	(18.5)	(119.2)
Balance at December 31, 2015	$ (8.7)	$ (94.2)	$ (105.1)	$ (208.0)
Other comprehensive income (loss) before reclassifications	$ (13.3)	$ (21.8)	$ (16.4)	$ (51.5)
Tax (provision) benefit [A]	2.7	—	5.1	7.8
Other comprehensive income (loss) before reclassifications, net of taxes	(10.6)	(21.8)	(11.3)	(43.7)
Reclassifications	9.8[B]	—	10.6	20.4
Tax provision (benefit)	(0.4)	—	(3.8)	(4.2)
Reclassifications, net of tax	9.4	—	6.8	16.2
Other comprehensive income (loss)	(1.2)	(21.8)	(4.5)	(27.5)
Balance at December 31, 2016	$ (9.9)	$ (116.0)	$ (109.6)	$ (235.5)

(A) Income taxes are not provided for foreign currency translation adjustments.
(B) See Note 6 of the notes to consolidated financial statements.
(C) These components are included in the computation of net periodic pension cost. See Note 12 of the notes to consolidated financial statements.

15. Segment Information

The company's management considers its business to be a single segment entity – the manufacture and sale of medical devices. The company's products generally share similar distribution channels and customers. The company designs, develops, manufactures, packages, distributes and sells medical, surgical, diagnostic and patient care devices. The company sells a broad range of products to hospitals, individual healthcare professionals, extended care health facilities and alternate site facilities on a global basis. In general, the company's products are intended to be used once and then discarded or either temporarily or permanently implanted. The company's chief operating decision makers evaluate their various global product portfolios on a net sales basis and generally evaluate profitability and associated investment on an enterprise-wide basis due to shared geographic infrastructures.

Net sales based on the location of the external customer and identifiable assets by geographic region for the following years ended December 31 are:

(dollars in millions)	2016	2015	2014
Net sales			
United States	$ 2,559.5	$ 2,378.4	$ 2,263.5
Europe	446.4	439.5	488.5
Asia-Pacific[A]	489.4	388.6	354.6
Other [A]	218.7	209.5	217.0
	$ 3,714.0	$ 3,416.0	$ 3,323.6

(A) Beginning in 2016, net sales for Asia-Pacific are separately reported. Prior year amounts have been reclassified to conform to the current year presentation.

(dollars in millions)	2016	2015
Long-lived assets		
United States	$ 410.3	$ 398.5
Europe	48.7	49.5
Asia-Pacific[B]	24.8	19.0
Other[B]	5.7	5.4
	$ 489.5	$ 472.4

(B) Beginning in 2016, amounts for Asia-Pacific are separately reported. Prior year amounts have been reclassified to conform to the current year presentation.

Total net sales by product group category for the following years ended December 31 are:

(dollars in millions)	2016	2015	2014
Vascular	$ 1,014.9	$ 970.3	$ 928.3
Urology	951.8	845.0	835.9
Oncology	1,012.1	936.9	910.9
Surgical Specialties	637.3	572.3	555.1
Other	97.9	91.5	93.4
	$ 3,714.0	$ 3,416.0	$ 3,323.6

16. Unaudited Interim Financial Information

2016	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year
(dollars in millions except per share amounts)					
Net sales	$ 873.5	$ 931.5	$ 941.9	$ 967.1	$ 3,714.0
Cost of goods sold	320.4	351.0	352.2	348.1	1,371.7
Income from operations before income taxes	142.9	207.7	112.2	200.9	663.7
Net income	116.2	159.2	96.4	159.6	531.4
Basic earnings per share available to common shareholders	1.56	2.14	1.30	2.15	7.15
Diluted earnings per share available to common shareholders	1.54	2.11	1.27	2.11	7.03

The first quarter 2016 included litigation charges of $48.9 million, net charges from acquisition-related items of $4.5 million primarily consisting of a purchase accounting adjustment of $5.8 million associated with the reversal of a liability with respect to certain revenue-based and manufacturing-related milestones, and restructuring and productivity initiative costs of $9.8 million. These items decreased net income by $39.4 million after tax, or $0.52 diluted earnings per share available to common shareholders.

The second quarter 2016 included restructuring and productivity initiative costs of $11.9 million, net charges from acquisition-related items of $3.9 million primarily consisting of integration costs, and an asset impairment of $1.2 million. These items decreased net income by $11.3 million after tax, or $0.15 diluted earnings per share available to common shareholders.

The third quarter 2016 included litigation charges of $110.6 million, acquisition-related items of $5.0 million primarily consisting of integration costs, and restructuring and productivity initiative costs of $4.6 million. The income tax provision decreased $2.6 million due to the completion of certain IRS examinations. These items decreased net income by $81.5 million after tax, or $1.08 diluted earnings per share available to common shareholders.

The fourth quarter 2016 included litigation charges, net, of $45.7 million, a net benefit from acquisition-related items of $6.8 million primarily consisting of a benefit of $3.8 million related to integration costs and a benefit of $3.7 million related to purchase accounting adjustments, and restructuring and productivity initiative costs of $4.1 million. These items decreased net income by $27.6 million after tax, or $0.37 diluted earnings per share available to common shareholders.

2015	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year
(dollars in millions except per share amounts)					
Net sales	$ 819.7	$ 859.8	$ 865.7	$ 870.8	$ 3,416.0
Cost of goods sold	311.2	333.7	336.3	320.0	1,301.2
Income (loss) from operations before income taxes	184.6	59.2	(52.4)	158.0	349.4
Net income (loss)	139.8	(54.7)	(86.0)	136.3	135.4
Basic earnings (loss) per share available to common shareholders[A]	1.85	(0.74)	(1.16)	1.82	1.80
Diluted earnings (loss) per share available to common shareholders[A]	1.82	(0.74)[B]	(1.16)[B]	1.79	1.77

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

(B) Common share equivalents primarily from share-based compensation plans were not included in the computation of diluted weighted average shares outstanding because their effect would have been antidilutive.

The first quarter 2015 included litigation charges of $10.3 million, a net benefit from acquisition-related items of $9.2 million primarily consisting of a purchase accounting adjustment of $10.2 million associated with the reversal of a liability with respect to a certain revenue-based milestone, and restructuring and productivity initiative costs of $3.9 million. These items decreased net income by $2.6 million after tax, or $0.03 diluted earnings per share available to common shareholders.

The second quarter 2015 included litigation charges, net, of $343.7 million, a gain of $210.5 million related to the Gore Proceeds, restructuring and productivity initiative costs of $8.5 million, and net charges from acquisition-related items of $4.5 million. These items increased net loss by $209.0 million after tax, or $2.73 diluted loss per share available to common shareholders.

The third quarter 2015 included litigation charges of $241.1 million, restructuring and productivity initiative costs of $14.6 million, and acquisition-related items of $2.5 million primarily consisting of integration costs. These items increased net loss by $240.5 million after tax, or $3.14 diluted loss per share available to common shareholders.

The fourth quarter 2015 included net charges from acquisition-related items of $33.9 million primarily consisting of purchase accounting adjustments of $24.3 million and integration costs of $5.4 million, restructuring and productivity initiative costs of $14.5 million, and an asset impairment of $4.5 million. These items decreased net income by $28.3 million after tax, or $0.37 diluted earnings per share available to common shareholders.

C. R. BARD, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(dollars in thousands except per share amounts, unaudited)

	Three Months Ended March 31,	
	2017	**2016**
Net sales	$ 938,800	$ 873,500
Costs and expenses:		
Cost of goods sold	354,200	320,400
Marketing, selling and administrative expense	285,400	270,600
Research and development expense	70,000	68,300
Interest expense	15,100	11,300
Other (income) expense, net	12,600	60,000
Total costs and expenses	737,300	730,600
Income from operations before income taxes	201,500	142,900
Income tax provision	23,400	26,700
Net income	$ 178,100	$ 116,200
Basic earnings per share available to common shareholders	$ 2.42	$ 1.56
Diluted earnings per share available to common shareholders	$ 2.37	$ 1.54

The accompanying notes are an integral part of these condensed consolidated financial statements.

C. R. BARD, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(dollars in thousands, unaudited)

	Three Months Ended March 31,	
	2017	**2016**
Net income	$ 178,100	$ 116,200
Other comprehensive income (loss):		
Change in derivative instruments designated as cash flow hedges, net of tax	6,600	(9,200)
Foreign currency translation adjustments	4,600	1,600
Benefit plan adjustments, net of tax	2,200	1,700
Other comprehensive income (loss)	13,400	(5,900)
Comprehensive income	$ 191,500	$ 110,300

The accompanying notes are an integral part of these condensed consolidated financial statements.

C. R. BARD, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands except share and per share amounts, unaudited)

	March 31, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 890,700	$ 905,000
Restricted cash	179,100	201,500
Accounts receivable, less allowances of $4,400 and $7,200, respectively	450,000	477,300
Inventories	497,200	483,000
Other current assets	283,800	249,600
Total current assets	2,300,800	2,316,400
Property, plant and equipment, at cost	865,000	847,100
Less accumulated depreciation and amortization	370,600	357,600
Net property, plant and equipment	494,400	489,500
Goodwill	1,261,000	1,260,500
Core and developed technologies, net	662,600	686,400
Other intangible assets, net	321,500	323,600
Deferred income taxes	38,700	64,400
Other assets	165,600	165,300
Total assets	$ 5,244,600	$ 5,306,100
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current liabilities		
Short-term borrowings and current maturities of long-term debt	$ 609,300	$ —
Accounts payable	102,000	96,000
Accrued expenses	715,000	809,500
Accrued compensation and benefits	118,100	186,100
Income taxes payable	15,300	17,300
Total current liabilities	1,559,700	1,108,900
Long-term debt	1,143,000	1,641,700
Other long-term liabilities	841,600	861,500
Deferred income taxes	28,500	18,900
Commitments and contingencies		
Shareholders' investment:		
Preferred stock, $1 par value, authorized 5,000,000 shares; none issued	—	—
Common stock, $0.25 par value, authorized 600,000,000 shares; issued and outstanding 72,417,180 shares at March 31, 2017 and 72,899,251 shares at December 31, 2016	18,100	18,200
Capital in excess of par value	2,389,300	2,346,800
Accumulated deficit	(513,500)	(454,400)
Accumulated other comprehensive loss	(222,100)	(235,500)
Total shareholders' investment	1,671,800	1,675,100
Total liabilities and shareholders' investment	$ 5,244,600	$ 5,306,100

The accompanying notes are an integral part of these condensed consolidated financial statements.

C. R. BARD, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands, unaudited)

	Three Months Ended March 31,	
	2017	**2016**
Cash flows from operating activities:		
Net income	$ 178,100	$ 116,200
Adjustments to reconcile net income to net cash provided by operating activities, net of acquired businesses:		
Depreciation and amortization	51,000	53,000
Litigation charges, net	12,100	48,900
Restructuring and productivity initiative costs, net of payments	2,300	7,700
Deferred income taxes	36,200	20,900
Share-based compensation	27,200	26,200
Inventory reserves and provision for doubtful accounts	7,500	9,300
Other items	1,400	1,000
Changes in assets and liabilities, net of acquired businesses:		
Accounts receivable	29,000	6,100
Inventories	(19,900)	(21,300)
Current liabilities	(121,900)	(138,200)
Taxes	(32,500)	(40,100)
Other, net	(29,900)	(22,500)
Net cash provided by operating activities	140,600	67,200
Cash flows from investing activities:		
Capital expenditures	(22,700)	(20,500)
Payments made for purchases of businesses, net of cash acquired	(5,400)	(202,800)
Payments made for intangibles	(200)	(200)
Net cash used in investing activities	(28,300)	(223,500)
Cash flows from financing activities:		
Change in short-term borrowings, net	110,000	525,600
Payment of long-term debt	—	(250,000)
Proceeds from exercises under share-based compensation plans, net	(9,100)	(6,500)
Excess tax benefit relating to share-based compensation plans	—	19,000
Purchases of common stock	(232,300)	(167,400)
Dividends paid	(19,300)	(18,000)
Payments of contingent consideration	(100)	(100)
Net cash (used in) provided by financing activities	(150,800)	102,600
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	1,800	(1,600)
Decrease in cash, cash equivalents, and restricted cash during the period	(36,700)	(55,300)
Balance at January 1	1,106,500	1,030,900
Balance at March 31	$ 1,069,800	$ 975,600
Supplemental cash flow information		
Cash paid for:		
Interest	$ 15,000	$ 16,600
Income taxes	19,700	26,900
Non-cash transactions:		
Purchases of businesses and related costs	$ —	$ 17,100

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of C. R. Bard, Inc. and its subsidiaries (the "company" or "Bard") should be read in conjunction with the audited consolidated financial statements and notes thereto included in Bard's 2016 Annual Report on Form 10-K. These financial statements have been prepared on a basis that is substantially consistent with the accounting principles applied in the financial statements in Bard's 2016 Annual Report on Form 10-K. The preparation of these financial statements requires the company to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses and the related disclosure of contingent assets and liabilities at the date of the financial statements. These financial statements include all normal and recurring adjustments necessary for a fair presentation. The accounts of most foreign subsidiaries are consolidated as of and for the quarters ended February 28, 2017 and February 29, 2016 and as of November 30, 2016. No events occurred related to these foreign subsidiaries during the months of March 2017, March 2016 or December 2016 that materially affected the financial position or results of operations of the company. The results for the interim periods presented are not necessarily indicative of the results expected for the year.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

Recently Adopted Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board ("FASB") issued an accounting standard update that clarifies the definition of a business by providing a more robust framework to evaluate whether transactions should be accounted for as an acquisition of assets or a business. This update is expected to reduce the number of transactions that will be accounted for as an acquisition of a business. The effects of this update will depend on future acquisitions. In 2017, the company adopted this update early.

In November 2016, the FASB issued an accounting standard update that requires the change in the total of cash, cash equivalents, and restricted cash to be shown in the statement of cash flows. As a result, transfers between cash, cash equivalents, and restricted cash will no longer be presented in the statement of cash flows. In 2017, the company adopted this update early on a retrospective basis. As a result of the adoption, changes in restricted cash of $130.2 million are no longer presented as a reduction in cash flows from investing activities in the prior period statement of cash flows. Restricted cash is now included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts.

In October 2016, the FASB issued an accounting standard update that requires the immediate recognition of the income tax effects of intra-entity transfers of assets other than inventory at the time of the transfer. In 2017, the company adopted this update early on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. As a result of the adoption, accumulated deficit was increased by $5.2 million and other current assets and deferred tax liabilities were reduced by $5.4 million and $0.2 million, respectively, as of the beginning of 2017.

In March 2016, the FASB issued an accounting standard update that includes multiple provisions intended to simplify various aspects of the accounting for share-based payments, including the income tax items and the classification of these items on the statement of cash flows. This update will result in the recognition of excess tax benefits to the consolidated statements of income (formerly recorded to capital in excess of par value) upon settlement of share-based compensation awards, which is largely dependent on the exercise/vesting of awards and variables such as the company's stock price at the time of the exercise/vesting of awards and the exercise price of the underlying awards. This provision of the new guidance, which was required to be applied prospectively, resulted in the recognition of $27.0 million of excess tax benefits in the income tax provision. In addition, cash flows related to these excess tax benefits are now classified as cash flows from operating activities (formerly included as cash flows from financing activities). The company elected to adopt this provision of the new guidance prospectively. Lastly, in the diluted earnings per share available to common shareholders calculation, when applying the treasury stock method for shares that could be repurchased, the assumed proceeds no longer include the amount of excess tax benefits. This did not have a material impact on the company's diluted earnings per share available to common shareholders calculation.

New Accounting Pronouncements Not Yet Adopted

In March 2017, the FASB issued an accounting standard update that requires that the service cost component of net periodic pension cost be reported in the same income statement line items in which other compensation costs are reported and all other components of net periodic pension cost be reported elsewhere in the income statement. This update will be effective as of the beginning of Bard's 2018 fiscal year and is not expected to have a material impact on the company's consolidated financial statements.

In February 2016, the FASB issued a new lease accounting standard. The new standard will require, among other items, lessees to recognize most leases on the balance sheet by recording a right-of-use asset and a lease liability. This standard will be effective as of the beginning of Bard's 2019 fiscal year. Other than this impact to the company's consolidated balance sheet, the new standard is not expected to have a material impact on the company's consolidated financial statements.

In May 2014, the FASB issued an accounting standard that provides for a comprehensive model to use in the accounting for revenue arising from contracts with customers. Under this standard, revenue will be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued an accounting standard update to defer this standard's effective date for one year, which will now begin with Bard's 2018 fiscal year. Under this standard, the company expects to recognize royalty revenue in earlier periods than under its current policy, and to recognize revenue earlier for other contracts that do not meet the new criteria for recognizing revenue over time. In addition, revenue will be recognized in earlier periods where the company maintains risk of loss for products that are in-transit to the customer. The company has made substantial progress in its evaluation of the new standard, and other than these items, this standard is not expected to have a material impact on the company's consolidated financial statements. The company will continue to assess the new standard, as well as updates to the standard that have been proposed by the FASB. The company intends to adopt the standard under the modified retrospective approach beginning with Bard's 2018 fiscal year.

2. Becton Dickinson Transaction

On April 23, 2017, Bard entered into Agreement and Plan of Merger (the "Merger Agreement") with Becton, Dickinson and Company ("BD") and Lambda Corp., a wholly owned subsidiary of BD ("Merger Corp"), pursuant to which Bard will merge with Merger Corp and become a wholly owned subsidiary of BD (the "Merger"). Under the agreement, each outstanding share of common stock of Bard will be converted into the right to receive $222.93 in cash and 0.5077 of a share of common stock of BD, as may be adjusted pursuant to the terms of the Merger Agreement. Completion of the Merger is subject to customary closing conditions, including, among others, (1) the approval of the Merger Agreement by a majority of the votes cast by Bard's shareholders at a special meeting held to vote on the Merger Agreement, among other items, (2) declaration of the effectiveness by the U.S. Securities and Exchange Commission (the "SEC") of the Registration Statement on Form S-4 to be filed with the SEC by BD in connection with the shares of the stock of BD to be issued in the Merger, (3) approval for listing on the New York Stock Exchange of the stock of BD to be issued in the Merger, (4) obtaining antitrust approvals in the United States and certain other jurisdictions, (5) subject to certain exceptions, the accuracy of the representations and warranties of the other party and (6) material compliance by the other party with its obligations under the Merger Agreement. The transaction is expected to close in the fourth quarter of 2017. If the Merger Agreement is terminated, Bard may be required to pay BD an amount equal to fifty percent of BD's out-of-pocket expenses incurred in connection with the Merger Agreement and the Merger and in certain other circumstances, Bard may be required to pay BD a termination fee of $750 million. The foregoing description of the Merger Agreement is qualified in its entirety by reference to the full text of the Merger Agreement attached as Exhibit 2.1 to the Form 8-K filed on April 24, 2017.

3. Earnings per Common Share

Earnings per share ("EPS") is computed under the two-class method using the following common share information:

	Three Months Ended March 31,	
	2017	**2016**
(dollars and shares in millions)		
EPS Numerator:		
Net income	$ 178.1	$ 116.2
Less: Income allocated to participating securities	0.9	0.6
Net income available to common shareholders	$ 177.2	$ 115.6
EPS Denominator:		
Weighted average common shares outstanding	73.1	74.0
Dilutive common share equivalents from share-based compensation plans	1.6	1.2
Weighted average common and common equivalent shares outstanding, assuming dilution	74.7	75.2

4. Income Taxes

The effective tax rate for the quarter ended March 31, 2017 was 11.6%. As discussed in Note 1 of the notes to condensed consolidated financial statements, the company adopted an accounting standard update that resulted in the recognition of excess tax benefits to the income tax provision upon settlement of share-based compensation awards. As a result, the effective tax rate for the quarter ended March 31, 2017 reflected a benefit of $27.0 million partially offset by the discrete tax effects of litigation charges.

The effective tax rate for the quarter ended March 31, 2016 was 18.7% which reflected the discrete tax effects of litigation charges related to product liability claims, which were incurred in a high tax jurisdiction. See Note 7 of the notes to condensed consolidated financial statements.

At March 31, 2017, the total amount of liability for unrecognized tax benefits related to federal, state and foreign taxes was $21.9 million (of which $18.8 million would impact the effective tax rate, if recognized) plus $2.9 million of accrued interest. At December 31, 2016, the liability for unrecognized tax benefits was $21.5 million plus $2.6 million of accrued interest. Depending upon the result of open tax examinations and/or the expiration of applicable statutes of limitation, the company believes it is reasonably possible that the total amount of unrecognized tax benefits may decrease by up to $4.9 million within the next 12 months.

5. Financial Instruments

For further discussion regarding the company's use of derivative instruments, see Note 1 of the notes to consolidated financial statements in Bard's 2016 Annual Report on Form 10-K.

Foreign Exchange Derivative Instruments

The company enters into readily marketable forward and option contracts with financial institutions to help reduce its exposure to foreign currency exchange rate fluctuations. These contracts limit volatility because gains and losses associated with foreign currency exchange rate movements are generally offset by movements in the underlying hedged item. The notional value of the company's forward currency contracts was $218.6 million and $243.2 million at March 31, 2017 and December 31, 2016, respectively.

The location and fair value of derivative instruments that are designated as hedging instruments recognized in the condensed consolidated balance sheets are as follows:

		Fair Value of Derivatives	
Derivatives Designated as Hedging Instruments	**Balance Sheet Location**	**March 31, 2017**	**December 31, 2016**
(dollars in millions)			
Forward currency contracts	Other current assets	$ 9.2	$ 10.9
Forward currency contracts	Other assets	4.2	3.9
		$ 13.4	$ 14.8
Forward currency contracts	Accrued expenses	$ 0.6	$ 6.2
		$ 0.6	$ 6.2

The location and amounts of gains and losses on derivative instruments designated as cash flow hedges and the impact on shareholders' investment are as follows:

	Gain/(Loss) Recognized in Other Comprehensive Income (Loss)		Location of Gain/(Loss) Reclassified from Accumulated Other Comprehensive Loss into Income	Gain/(Loss) Reclassified from Accumulated Other Comprehensive Loss into Income	
	Three Months Ended March 31,			Three Months Ended March 31,	
	2017	2016		2017	2016
(dollars in millions)					
Forward currency contracts	$ 5.2	$ (0.8)	Cost of goods sold	$ (3.3)	$ (2.4)
Option currency contracts	—	(1.7)	Cost of goods sold	(0.4)	1.8
Interest rate swap contract	—	(14.5)	Interest expense	(0.6)	—
	$ 5.2	$ (17.0)		$ (4.3)	$ (0.6)

Financial Instruments Measured at Fair Value on a Recurring Basis

Fair value is defined as the exit price that would be received to sell an asset or paid to transfer a liability. Fair value is a market-based measurement that is determined using assumptions that market participants would use in pricing an asset or liability. The fair value guidance establishes a three-level hierarchy which maximizes the use of observable inputs and minimizes the use of unobservable inputs used in measuring fair value. The levels within the hierarchy range from Level 1 having observable inputs to Level 3 having unobservable inputs.

The fair values of the company's forward currency contracts of $12.8 million and $8.6 million at March 31, 2017 and December 31, 2016, respectively, were measured using significant other observable inputs and valued by reference to similar financial instruments, adjusted for restrictions and other terms specific to each instrument. These financial instruments are categorized as Level 2 under the fair value hierarchy.

The fair value of the liability for contingent consideration related to acquisitions was $14.8 million and $14.9 million at March 31, 2017 and December 31, 2016, respectively. The fair value was measured using significant unobservable inputs and is categorized as Level 3 under the fair value hierarchy.

Financial Instruments Not Measured at Fair Value

The company maintains a $1 billion five-year committed syndicated bank credit facility that expires in November 2021. The credit facility supports the company's commercial paper program and can be used for general corporate purposes. The facility includes pricing based on the company's long-term credit ratings and includes a financial covenant that limits the amount of total debt to total capitalization. At March 31, 2017 the company was in compliance with this covenant. The fair value of commercial paper borrowings outstanding of $110.0 million at March 31, 2017 approximated its carrying value. There were no commercial paper borrowings outstanding at December 31, 2016.

The estimated fair value of long-term debt (including current maturities) was approximately $1,695.2 million and $1,688.0 million at March 31, 2017 and December 31, 2016, respectively. The fair value was estimated using dealer quotes for similarly-rated debt instruments over the remaining contractual term of the company's obligation and is categorized as Level 2 under the fair value hierarchy.

The fair value of the deferred future payments related to the Medicon, Inc. acquisition of $54.8 million and $52.3 million at March 31, 2017 and December 31, 2016, respectively, approximated the carrying value. At March 31, 2017 and December 31, 2016, future payments of $41.4 million and $39.5 million, respectively, were recorded to other long-term liabilities. These payments will be paid in Japanese Yen and are subject to exchange rate fluctuations. The fair value was estimated by discounting the future payments based upon the timing of such payments and is categorized as Level 2 under the fair value hierarchy.

Concentration Risk

Accounts receivable balances include sales to government-supported healthcare systems outside the United States. The company monitors economic conditions and evaluates accounts receivable in certain countries for potential collection risks. Economic conditions and other factors in certain countries, particularly in Spain, Italy, Greece and Portugal, have resulted in, and may continue to result in, an increase in the average length of time that it takes to collect these accounts receivable and may require the company to re-evaluate the collectability of these receivables in future periods. At March 31, 2017, the company's accounts receivable, net of allowances, from the national healthcare systems and private sector customers in these four countries was $40.1 million, of which $1.9 million was greater than 365 days past due.

6. Inventories

Inventories consisted of:

(dollars in millions)	March 31, 2017	December 31, 2016
Finished goods	$ 296.9	$ 292.8
Work in process	35.5	27.0
Raw materials	164.8	163.2
	$ 497.2	$ 483.0

7. Contingencies

In the ordinary course of business, the company is subject to various legal proceedings, investigations and claims, including, for example, environmental matters, employment disputes, disputes on agreements and other commercial disputes. In addition, the company operates in an industry susceptible to significant product liability and patent legal claims. The company accounts for estimated losses with respect to legal proceedings and claims when such losses are probable and reasonably estimable. If the estimate of a probable loss is a range and no amount within the range is more likely, the company accrues the minimum amount of the range. Legal costs associated with these matters are expensed as incurred. At any given time, in the ordinary course of business, the company is involved as either a plaintiff or defendant in a number of patent infringement actions. If a third party's patent infringement claim were to be determined against the company, the company might be required to make significant royalty or other payments or might be subject to an injunction or other limitation on its ability to manufacture or distribute one or more products. If a patent owned by or licensed to the company is found to be invalid or unenforceable, the company might be required to reduce the value of certain intangible assets on the company's balance sheet and to record a corresponding charge, which could be significant in amount. Many of the company's legal proceedings and claims could have a material adverse effect on its business, results of operations, financial condition and/or liquidity.

Product Liability Matters

Hernia Product Claims

As of March 31, 2017, approximately 25 federal and 80 state lawsuits involving individual claims by approximately 105 plaintiffs, as well as one putative class action in the United States, are currently pending against the company with respect to its Composix® Kugel® and certain other hernia repair implant products (collectively, the "Hernia Product Claims"). The company voluntarily recalled certain sizes and lots of the Composix® Kugel® products beginning in December 2005. In June 2007, the Composix® Kugel® lawsuits and, subsequently, other hernia repair product lawsuits, pending in federal courts nationwide were transferred into one Multidistrict Litigation ("MDL") for coordinated pre-trial proceedings in the United States District Court for the District of Rhode Island. The MDL stopped accepting new cases in the second quarter of 2014 and was terminated in November 2016, at which time the remaining federal lawsuits were remanded to their courts of original jurisdiction for trial. As of March 31, 2017, all but one of the putative class actions pending against the company was dismissed. The remaining putative class action pending against the company has not been certified and seeks: (i) medical monitoring; (ii) compensatory damages; (iii) punitive damages; (iv) a judicial finding of defect and causation; and/or (v) attorneys' fees. In April 2014, a settlement was reached with respect to the three putative Canadian class actions within amounts previously recorded by the company. Approximately 70 of the state lawsuits, involving individual claims by approximately 70 plaintiffs, are pending in the Superior Court of the State of Rhode Island, with the remainder in various other jurisdictions. The Hernia Product Claims also generally seek damages for personal injury resulting from use of the products.

The company has resolved the majority of its historical Hernia Product Claims, including through agreements or agreements in principle with various plaintiffs' law firms to settle their respective inventories of cases. Each agreement involving the settlement of a firm's inventory of claims was subject to certain conditions, including requirements for participation in the proposed settlements by a certain minimum number of plaintiffs. In addition, the company continues to engage in discussions with other plaintiffs' law firms regarding potential resolution of unsettled Hernia Product Claims, and intends to vigorously defend Hernia Product Claims that do not settle, including through litigation. The company expects additional trials of Hernia Product Claims to take place over the next 12 months. The company cannot give any assurances that the resolution of the Hernia Product Claims that have not settled, including asserted and unasserted claims and the putative class action lawsuit, will not have a material adverse effect on the company's business, results of operations, financial condition and/or liquidity.

Women's Health Product Claims

As of March 31, 2017, product liability lawsuits involving individual claims by approximately 5,305 plaintiffs are currently pending against the company in various federal and state jurisdictions alleging personal injuries associated with the use of certain of the company's surgical continence products for women, which includes products manufactured by both the company and two subsidiaries of Medtronic plc (as successor in interest to Covidien plc) ("Medtronic"), each a supplier of the company. Medtronic has an obligation to defend and indemnify the company with respect to any product defect liability for products its subsidiaries had manufactured. As described below, in July 2015 the company reached an agreement with Medtronic regarding certain aspects of Medtronic's indemnification obligation. In addition, five putative class actions in the United States and five putative class actions in Canada have been filed against the company, and a limited number of other claims have been filed or asserted in various non-U.S. jurisdictions. The foregoing lawsuits, unfiled or unknown claims, putative class actions and other claims, together with claims that have settled or are the subject of agreements or agreements in principle to settle, are referred to collectively as the "Women's Health Product Claims". The Women's Health Product Claims generally seek damages for personal injury resulting from use of the products. The putative class actions, none of which has been certified, seek: (i) medical monitoring; (ii) compensatory damages; (iii) punitive damages; (iv) a judicial finding of defect and causation; and/or (v) attorneys' fees. In April 2015, the Ontario Superior Court of Justice dismissed the plaintiffs' motion for class certification in one Canadian putative class action. In March 2016, the company reached an agreement in principle to resolve all Canadian putative class actions, with the exception of a Quebec class action, within amounts previously recorded by the company, which settlement was finalized in September 2016. In January 2017, the court approved the discontinuance of the proposed Quebec class action.

In October 2010, the Women's Health Product Claims involving solely Avaulta® products pending in federal courts nationwide were transferred into an MDL in the United States District Court for the Southern District of West Virginia (the "WV District Court"), the scope of which was later expanded to include lawsuits involving all women's surgical continence products that are manufactured or distributed by the company. The first trial in a state court was completed in California in July 2012 and resulted in a judgment against the company of approximately $3.6 million. On appeal the decision was affirmed by the appellate court in November 2014. The company filed a petition for review to the California Supreme Court on December 24, 2014, which was denied on February 18, 2015. The judgment in this matter, including interest and costs, was paid on March 20, 2015 within the amounts previously recorded by the company. The first trial in the MDL commenced in July 2013 and resulted in a judgment against the company of approximately $2 million, which was upheld by the Fourth Circuit on January 14, 2016. The company does not believe that any verdicts entered to date are representative of potential outcomes of all Women's Health Product Claims. On January 16, 2014 and July 31, 2014, the WV District Court ordered that the company prepare 200 and then an additional 300 individual cases, respectively, for trial (the "2014 WHP Pre-Trial Orders"). The 2014 WHP Pre-Trial Orders resulted in significant additional litigation-related defense costs beginning in the second quarter of 2014 and continuing through the second quarter of 2015. In February 2015, the WV District Court appointed a Special Master to assist with settlement resolution. In June 2015, the WV District Court issued an order staying the requirement to prepare a significant portion of the cases covered by the 2014 WHP Pre-Trial Orders. Substantially all of the 500 individual cases that are the subject of the 2014 WHP Pre-Trial Orders have been part of agreements or agreements in principle to settle with various plaintiff law firms. In December 2016, the WV District Court lifted the stay of the 2014 WHP Pre-Trial Orders and remanded five of the unsettled cases to their courts of original jurisdiction for trial. In the first quarter of 2017, an additional 11 cases were remanded for trial for a total of 16 remanded cases. Five of those cases have been assigned trial dates between the third quarter of 2017 and the first quarter of 2018. In response to court orders on January 27, 2017 and March 3, 2017, the company is required to prepare an additional approximately 540 individual cases for trial (together with the 2014 WHP Pre-Trial Orders, the "WHP Pre-Trial Orders"). The WHP Pre-Trial Orders may result in material additional cost in future periods in defending Women's Health Product Claims. The WV District Court may also order that the company prepare additional cases for trial, which could result in material additional costs in future periods.

As of March 31, 2017, the company reached agreements or agreements in principle with various plaintiffs' law firms to settle their respective inventories of cases totaling approximately 11,005 Women's Health Product Claims, including approximately: 560 during 2014, 6,215 during 2015, 4,155 during 2016 and approximately 75 during 2017. The company believes that these Women's Health Product Claims are not the subject of Medtronic's indemnification obligation. These settlement agreements and agreements in principle include unfiled and previously unknown claims held by various plaintiffs' law firms, which have not been included in the approximate number of lawsuits set forth in the first paragraph of this section. Each agreement is subject to certain conditions, including requirements for participation in the proposed settlements by a certain minimum number of plaintiffs. The company continues to engage in discussions with other plaintiffs' law firms regarding potential resolution of unsettled Women's Health Product Claims, which may include additional inventory settlements. Notwithstanding these settlement efforts, the company anticipates additional trials over the next 12 months. In addition, one or more possible consolidated trials may occur in the future.

In July 2015, as part of the agreement noted above, Medtronic agreed to take responsibility for pursuing settlement of certain of the Women's Health Product Claims that relate to products distributed by the company under supply agreements with Medtronic and the company has paid Medtronic $121 million towards these potential settlements. The company also may, in its sole discretion, transfer responsibility for settlement of additional Women's Health Product Claims to Medtronic on similar terms. The agreement does not resolve the dispute between the company and Medtronic with respect to Women's Health Product Claims that do not settle, if any. As part of the agreement, Medtronic and the company agreed to dismiss without prejudice their previously filed litigation with respect to Medtronic's obligation to defend and indemnify the company.

The approximate number of lawsuits set forth in the first paragraph of this section does not include approximately 590 generic complaints involving women's health products where the company cannot, based on the allegations in the complaints, determine whether any of those cases involve the company's women's health products. In addition, the approximate number of lawsuits set forth in the first paragraph of this section does not include approximately 865 claims that have been threatened against the company but for which complaints have not yet been filed. In addition, the company has limited information regarding the nature and quantity of these and other unfiled or unknown claims. During the course of engaging in settlement discussions with plaintiffs' law firms, the company has learned, and may in future periods learn, additional information regarding these and other unfiled or unknown claims, or other lawsuits, which could materially impact the company's estimate of the number of claims or lawsuits against the company. While the company continues to engage in discussions with other plaintiffs' law firms regarding potential resolution of unsettled Women's Health Product Claims and intends to vigorously defend the Women's Health Product Claims that do not settle, including through litigation, it cannot give any assurances that the resolution of these claims will not have a material adverse effect on the company's business, results of operations, financial condition and/or liquidity.

Filter Product Claims

As of March 31, 2017, product liability lawsuits involving individual claims by approximately 1,755 plaintiffs are currently pending against the company in various federal and state jurisdictions alleging personal injuries associated with the use of the company's vena cava filter products (all lawsuits, collectively, the "Filter Product Claims"). In August 2015, the Judicial Panel for Multi-District Litigation ("JPML") ordered the creation of a Multi-District Litigation for all federal Filter Product Claims (the "IVC Filter MDL") in the District of Arizona. There are approximately 1,705 Filter Product Claims that have been, or shortly will be, transferred to the IVC Filter MDL, including one medical monitoring class action. The remaining approximately 45 Filter Product Claims are pending in various state courts. In March 2016, a putative Canadian class action was filed against the company in Quebec. In April 2016 and May 2016, putative Canadian class actions were filed in Ontario and British Columbia, respectively. In November 2016, a putative Canadian class action was filed in Saskatchewan. The approximate number of lawsuits set forth above does not include approximately 25 claims that have been threatened against the company but for which complaints have not yet been filed. In addition, the company has limited information regarding the nature and quantity of these and other unfiled or unknown claims. The company continues to receive claims and lawsuits and may in future periods learn additional information regarding other unfiled or unknown claims, or other lawsuits, which could materially impact the company's estimate of the number of claims or lawsuits against the company. The company expects that trials of Filter Product Claims may take place over the next 12 months. While the company intends to vigorously defend Filter Product Claims that do not settle, including through litigation, it cannot give any assurances that the resolution of these claims will not have a material adverse effect on the company's business, results of operations, financial condition and/or liquidity.

General

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

The company believes that some settlements and judgments, as well as some legal defense costs, relating to product liability matters are or may be covered in whole or in part under its product liability insurance policies with a limited number of insurance carriers, or, in some circumstances, indemnification obligations to the company from other parties, which if disputed, the company intends to vigorously contest. Amounts recovered under the company's product liability insurance policies or indemnification arrangements may be less than the stated coverage limits or less than otherwise expected and may not be adequate to cover damages and/or costs relating to claims. In addition, there is no guarantee that insurers or other parties will pay claims or that coverage or indemnity will be otherwise available.

In January 2017, the company reached an agreement to resolve litigation filed in the Southern District of New York by its insurance carriers in connection with Women's Health Product Claims and Filter Product Claims. The agreement requires the insurance carriers to reimburse the company for certain future costs incurred in connection with Filter Product Claims up to an agreed amount. For certain product liability claims or lawsuits, the company does not maintain or has limited remaining insurance coverage.

Other Legal Matters

Since early 2013, the company has received subpoenas or Civil Investigative Demands from a number of State Attorneys General seeking information related to the sales and marketing of certain of the company's products that are the subject of the Hernia Product Claims and the Women's Health Product Claims. The company is cooperating with these requests. Although the company has had discussions with the State Attorneys General with respect to overall potential resolution of this matter, there can be no assurance that a resolution will be reached or what the terms of any such resolution may be. In the first quarter of 2017, the company recorded a charge to other (income) expense, net, of $7.5 million ($7.5 million after tax). Since it is not feasible to predict the outcome of these proceedings, the company cannot give any assurances that the resolution of these proceedings will not have a material adverse effect on the company's business, results of operations, financial condition and/or liquidity.

In November 2015, the Department of Defense Inspector General issued an investigative subpoena to the company. The Department of Health and Human Services is also participating in this investigation. The subpoena seeks documents related to the company's sales and marketing of certain filter products, drug coated balloon catheters, and peripheral arterial disease detection products. The company is cooperating with these requests. Since it is not feasible to predict the outcome of these proceedings, the company cannot give any assurances that the resolution of these proceedings will not have a material adverse effect on the company's business, results of operations, financial condition and/or liquidity.

In June 2011, W. L. Gore & Associates, Inc. ("Gore") filed suit in the U.S. District Court in Delaware alleging the company had infringed several of Gore's patents. The trial began March 1, 2017, and was phased such that liability issues would be heard and decided by the jury first, with damages and willfulness to be heard immediately thereafter, if necessary. The liability phase was completed on March 8, 2017 with the jury finding the asserted Gore patent not valid and not infringed. Gore has the option to appeal and/or request a new trial or that the jury's verdict be set aside. It is unclear what options Gore may choose or the outcome of the matter. The company intends to vigorously defend the allegations asserted by Gore. The company cannot give any assurances that an adverse resolution of this matter will not have a material adverse effect on the company's business, results of operations, financial condition and/or liquidity.

The company is subject to numerous federal, state, local and foreign environmental protection laws governing, among other things, the generation, storage, use and transportation of hazardous materials and emissions or discharges into the ground, air or water. The company is or may become a party to proceedings brought under various federal laws including the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), commonly known as Superfund, the Resource Conservation and Recovery Act, the Clean Water Act, the Clean Air Act and similar state or foreign laws. These proceedings seek to require the owners or operators of contaminated sites, transporters of hazardous materials to the sites and generators of hazardous materials disposed of at the sites to clean up the sites or to reimburse the government for cleanup costs. In most cases, there are other potentially responsible parties that may be liable for remediation costs. In these cases, the government alleges that the defendants are jointly and severally liable for the cleanup costs; however, these proceedings are frequently resolved so that the allocation of cleanup costs among the parties more closely reflects the relative contributions of the parties to the site contamination. The company's potential liability varies greatly from site to site. For some sites, the potential liability is de minimis and for others the costs of cleanup have not yet been determined. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study and are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed probable. The company believes that the proceedings and claims described above will likely be resolved over an extended period of time. While it is not feasible to predict the outcome of these proceedings, based upon the company's experience, current information and applicable law, the company does not expect these proceedings to have a material adverse effect on its financial condition and/or liquidity. However, one or more of the proceedings could be material to the company's business and/or results of operations.

Litigation Reserves

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

In the second quarter of 2015, the company recorded an additional charge related to these matters, net of estimated recoveries to other (income) expense, net, of approximately $337 million ($325 million after tax). The company recorded this charge based on additional information obtained during the quarter, including with respect to the factors noted above. Specifically the company considered the agreement and the agreement in principle by the company to settle approximately 2,880 Women's Health Product Claims, the involvement of the Special Master in settlement resolution, additional settlements by other manufacturers subject to product liability claims with respect to similar products, and the continued rate of claims being filed (which led the company to increase its estimate of future Women's Health Product Claims).

In the third quarter of 2015, the company recorded an additional charge related to these matters to other (income) expense, net, of approximately $241 million ($228 million after tax). The company recorded this charge based on additional information obtained with respect to the quarter, including with respect to the factors noted above. Specifically, the company considered the agreements and the agreement in principle by the company to settle approximately 3,030 Women's Health Product Claims, discussions with plaintiffs' counsel, additional information learned regarding the nature and quantity of unfiled and unknown claims (which led the company to increase its estimate of future Women's Health Product Claims), a reconciliation of claims in connection with settlements, additional settlements by other manufacturers subject to product liability claims with respect to similar products, the rate of claims being filed, and the creation of the IVC Filter MDL.

In the first quarter of 2016, the company recorded an additional charge related to these matters to other (income) expense, net, of approximately $49 million ($31 million after tax). The company recorded this charge based on additional information obtained with respect to the quarter. Specifically, the company considered, among other factors, additional information learned regarding the nature and quantity of unfiled and filed claims, the increase in advertising by plaintiffs' counsel with respect to IVC filters and an increase in the rate of claims being filed in Filter Product Claims (which led the company to increase its estimate of future Filter Product Claims).

In the third quarter of 2016, the company recorded an additional charge related to these matters to other (income) expense, net, of approximately $111 million ($77 million after tax). The company recorded this charge based on additional information obtained with respect to the quarter, including with respect to the factors noted above. Specifically, the company considered, among other factors, additional information learned regarding Product Liability Matters, including regarding the nature and quantity of unfiled and filed claims and the continued rate of claims being filed in certain Product Liability Matters (which led the company to increase its estimate of future claims for certain Product Liability Matters, including Filter Product Claims).

In the fourth quarter of 2016, the company recorded an additional charge related to these matters to other (income) expense, net, of approximately $46 million ($31 million after tax). The company recorded this charge based on additional information obtained with respect to the quarter, including regarding cases settled by certain other manufacturers, public information available from the court, unfiled and filed claims, the status of certain settlement discussions and information regarding plaintiff law firm inventories.

These charges recognized the estimated costs for the product liability matters discussed above, including (with respect to such matters) filed and an estimate of unfiled and unknown claims, and costs to administer the settlements related to such matters. These charges exclude any costs associated with certain of the putative class action lawsuits in the United States and Canada.

The company cannot give any assurances that the actual costs incurred with respect to these product liability matters will not exceed the related amounts accrued. With respect to product liability claims that are not resolved through settlement, the company intends to vigorously defend against such claims, including through litigation. The company cannot give any assurances that the resolution of any of its product liability matters, including filed, unfiled and unknown claims and the putative class action lawsuits, will not have a material adverse effect on the company's business, results of operations, financial condition and/or liquidity.

Accruals for product liability and other legal matters amounted to $1,150.6 million, of which $563.4 million was recorded to accrued expenses, and $1,201.5 million, of which $605.3 million was recorded to accrued expenses, at March 31, 2017 and December 31, 2016, respectively. The company has made total payments of $795.0 million to qualified settlement funds ("QSFs"), subject to certain settlement conditions, for certain product liability matters since 2011, of which $32.6 million were made to QSFs during the three months ended March 31, 2017. Payments to QSFs are recorded as a component of restricted cash. Total payments of $617.7 million from these QSFs have been made to qualified claimants, of which $55.0 million were made during the three months ended March 31, 2017. In addition, other payments of $78.1 million have been made to qualified claimants, of which $4.8 million were made during the three months ended March 31, 2017.

The company recorded expected recoveries related to product liability matters amounting to $261.6 million, of which $163.3 million was recorded to other current assets, and $267.3 million, of which $156.2 million was recorded to other current assets, at March 31, 2017 and December 31, 2016, respectively. A substantial amount of these expected recoveries at March 31, 2017 and December 31, 2016 relate to the company's agreements with Medtronic related to certain Women's Health Product Claims. The terms of the company's agreement with Medtronic are substantially consistent with the assumptions underlying, and the manner in which, the company has recorded expected recoveries related to the indemnification obligation. The expected recoveries at March 31, 2017 and December 31, 2016 related to the indemnification obligation are not in dispute with respect to claims that Medtronic settles pursuant to the agreement. As described above, the agreement does not resolve the dispute between the company and Medtronic with respect to Women's Health Product Claims that do not settle, if any, and the company also may, in its sole discretion, transfer responsibility for settlement of additional Women's Health Product Claims to Medtronic on similar terms.

The company is unable to estimate the reasonably possible losses or range of losses, if any, arising from certain existing product liability matters and other legal matters. Under U.S. generally accepted accounting principles, an event is "reasonably possible" if "the chance of the future event or events occurring is more than remote but less than likely" and an event is "remote" if "the chance of the future event or events occurring is slight". With respect to putative class action lawsuits in the United States and certain of the Canadian lawsuits relating to product liability matters, the company is unable to estimate a range of reasonably possible losses for the following reasons: (i) all or certain of the proceedings are in early stages; (ii) the company has not received and reviewed complete information regarding all or certain of the plaintiffs and their medical conditions; and/or (iii) there are significant factual issues to be resolved. In addition, there is uncertainty as to the likelihood of a class being certified or the ultimate size of the class. With respect to the investigative subpoena issued by the Department of Defense Inspector General and the Department of Health and Human Services, the company is unable to estimate a range of reasonably possible losses for the following reasons: (i) all or certain of the proceedings are in early stages; and/or (ii) there are significant factual and legal issues to be resolved.

8. Share-Based Compensation Plans

The company may grant a variety of share-based payments under the 2012 Long Term Incentive Plan of C. R. Bard, Inc., as amended and restated (the "LTIP") and the 2005 Directors' Stock Award Plan of C. R. Bard, Inc., as amended and restated (the "Directors' Plan") to certain directors, officers and employees. The total number of remaining shares at March 31, 2017 that may be issued under the LTIP was 2,899,995 and under the Directors' Plan was 21,890. Awards under the LTIP may be in the form of stock options, stock appreciation rights, limited stock appreciation rights, restricted stock, unrestricted stock and other stock-based awards. Awards under the Directors' Plan may be in the form of stock awards, stock options or stock appreciation rights. The company also has two employee stock purchase programs.

For the quarters ended March 31, 2017 and 2016, amounts charged against income for share-based payment arrangements were $27.2 million and $26.2 million, respectively.

In the first quarter of each of 2017 and 2016, the company granted performance restricted stock units to certain officers. These units have requisite service periods of three years and have no dividend rights. The actual payout of these units varies based on the company's performance over the three-year period based on pre-established targets over the period and a market condition modifier based on total shareholder return ("TSR") compared to an industry peer group. The actual payout under these awards may exceed an officer's target payout; however, compensation cost initially recognized assumes that the target payout level will be achieved and may be adjusted for subsequent changes in the expected outcome of the performance-related condition. The fair values of these units are based on the market price of the company's stock on the date of the grant and use a Monte Carlo simulation model for the TSR component. The fair values of the TSR components of the 2017 and 2016 grants were estimated based on the following assumptions: risk-free interest rate of 1.37% and 0.83%, respectively; dividend yield of 0.47% and 0.52%, respectively; and expected life of 2.89 for both valuations.

As of March 31, 2017, there were $141.5 million of unrecognized compensation expenses related to share-based payment arrangements. These costs are expected to be recognized over a weighted-average period of approximately three years. The company has sufficient shares to satisfy expected share-based payment arrangements in 2017.

9. Pension Plans

The company has both tax-qualified and nonqualified, noncontributory defined benefit pension plans, that together cover certain domestic and foreign employees. These plans provide benefits based upon a participant's compensation and years of service.

The components of net periodic pension cost are as follows:

	Three Months Ended March 31,	
	2017	2016
(dollars in millions)		
Service cost, net of employee contributions	$ 6.6	$ 7.3
Interest cost	4.8	4.7
Expected return on plan assets	(8.3)	(8.1)
Amortization	3.3	2.6
Net periodic pension cost	$ 6.4	$ 6.5

10. Shareholders' Investment

The company repurchased approximately 1.0 million shares of common stock for $232.3 million in the three months ended March 31, 2017 under its previously announced share repurchase authorization.

Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) by component are as follows:

	Derivative Instruments Designated as Cash Flow Hedges	Foreign Currency Translation Adjustments	Benefit Plans	Total
(dollars in millions)				
Balance at December 31, 2015	$ (8.7)	$ (94.2)	$ (105.1)	$ (208.0)
Other comprehensive income (loss) before reclassifications	(15.9)	1.6	—	(14.3)
Tax (provision) benefit [a]	5.5	—	—	5.5
Other comprehensive income (loss) before reclassifications, net of taxes	(10.4)	1.6	—	(8.8)
Reclassifications	0.6 [b]	—	2.6 [c]	3.2
Tax provision (benefit)	0.6	—	(0.9)	(0.3)
Reclassifications, net of tax	1.2	—	1.7	2.9
Other comprehensive income (loss)	(9.2)	1.6	1.7	(5.9)
Balance at March 31, 2016	$ (17.9)	$ (92.6)	$ (103.4)	$ (213.9)
Balance at December 31, 2016	$ (9.9)	$ (116.0)	$ (109.6)	$ (235.5)
Other comprehensive income (loss) before reclassifications	1.4	4.6	—	6.0
Tax (provision) benefit [a]	1.6	—	—	1.6
Other comprehensive income (loss) before reclassifications, net of taxes	3.0	4.6	—	7.6
Reclassifications	4.3 [b]	—	3.3 [c]	7.6
Tax provision (benefit)	(0.7)	—	(1.1)	(1.8)
Reclassifications, net of tax	3.6	—	2.2	5.8
Other comprehensive income (loss)	6.6	4.6	2.2	13.4
Balance at March 31, 2017	$ (3.3)	$ (111.4)	$ (107.4)	$ (222.1)

(a) Income taxes are not provided for foreign currency translation adjustment.
(b) See Note 5 of the notes to condensed consolidated financial statements.
(c) These components are included in the computation of net periodic pension cost. See Note 9 of the notes to condensed consolidated financial statements.

11. Segment Information

The company's management considers its business to be a single segment entity – the manufacture and sale of medical devices. The company's products generally share similar distribution channels and customers. The company designs, develops, manufactures, packages, distributes and sells medical, surgical, diagnostic and patient care devices. The company sells a broad range of products to hospitals, individual healthcare professionals, extended care health facilities and alternate site facilities on a global basis. In general, the company's products are intended to be used once and then discarded or either temporarily or permanently implanted. The company's chief operating decision makers evaluate their various global product portfolios on a net sales basis and generally evaluate profitability and associated investment on an enterprise-wide basis due to shared geographic infrastructures.

Net sales based on the location of external customers by geographic region are:

	Three Months Ended March 31,	
	2017	2016
(dollars in millions)		
United States	$ 657.2	$ 625.4
Europe	103.2	104.3
Asia-Pacific[A]	126.3	97.9
Other[A]	52.1	45.9
	$ 938.8	$ 873.5

(A) Beginning in the fourth quarter of 2016, net sales for Asia-Pacific are separately reported. Prior year amount have been reclassified to conform to current year presentation.

Total net sales by product group category are:

	Three Months Ended March 31,	
	2017	2016
(dollars in millions)		
Vascular	$ 256.6	$ 239.5
Urology	237.7	216.7
Oncology	255.5	241.9
Surgical Specialties	165.1	151.4
Other	23.9	24.0
	$ 938.8	$ 873.5

Exhibit 99.3

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined balance sheet of Becton, Dickinson and Company (the "Company") as of March 31, 2017 gives effect to (i) the Company's concurrent offerings of shares of common stock and depositary shares (the "Equity Financing"), (ii) drawing under the Company's senior unsecured term loan facility and the Company's senior unsecured 364-day bridge loan facility (the "Debt Financing"), and (iii) the acquisition by the Company of C. R. Bard, Inc. (''Bard'') pursuant to the agreement and plan of merger among the Company, Bard and Lambda Corp., a New Jersey corporation and the Company's wholly owned subsidiary (''Merger Corp''), which provides, among other things, that upon the terms and subject to the conditions set forth therein, Merger Corp will merge with and into Bard, with Bard surviving as a wholly owned subsidiary of the Company (the "Bard Acquisition"), each as more fully described below in Note 1, as if they each occurred as of March 31, 2017. The following unaudited pro forma condensed combined statements of income of the Company for the six-month period ended March 31, 2017 and the fiscal year ended September 30, 2016 similarly give effect to the Equity Financing, the Debt Financing and the Bard Acquisition, as if they each occurred at the beginning of the period on October 1, 2015.

The unaudited pro forma condensed combined financial information has been derived from, and should be read in conjunction with, the Company's historical audited and interim unaudited consolidated financial statements, including the notes thereto, and Bard's historical audited and interim unaudited consolidated financial statements, including the notes thereto. The financial statements of the Company are included in the Company's Annual Report on Form 10-K for the year ended September 30, 2016 and the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, each of which have been incorporated by reference herein. The financial statements of Bard for the year ended December 31, 2016 and for the quarter ended March 31, 2017 are included in the Company's Current Report on Form 8-K dated May 8, 2017. The historical interim financial information of Bard for the six months ended March 31, 2017 also was derived from Bard's unaudited interim consolidated financial statements for the quarter ended September 30, 2016. Note 2 describes the method of calculating the statement of income of Bard for the six months ended March 31, 2017.

The unaudited pro forma condensed combined financial information includes unaudited pro forma adjustments that are factually supportable and directly attributed to the Equity Financing, the Debt Financing and the Bard Acquisition (the "Transactions"). In addition, with respect to the unaudited pro forma condensed combined statements of income, the unaudited pro forma adjustments are expected to have a continuing impact on the Company's consolidated results. Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the unaudited pro forma condensed combined financial information.

The unaudited pro forma adjustments are based upon available information and certain assumptions that the Company's management believe are reasonable. The unaudited pro forma condensed combined financial information is presented for informational purposes only and is not necessarily indicative of the Company's financial position or results of operations that would have occurred had the events been consummated as of the dates indicated. In addition, the unaudited pro forma condensed combined financial information is not necessarily indicative of the Company's future financial condition or operating results.

Management expects that the strategic and financial benefits of the Bard Acquisition will result in certain cost savings opportunities. However, given the preliminary nature of those cost savings, they have not been reflected in the accompanying unaudited pro forma condensed combined statements of income for either period.

The Bard Acquisition will be accounted for as a business combination using the acquisition method of accounting in accordance with Accounting Standards Codification Topic 805, Business Combinations, which will establish a new basis of accounting for all identifiable assets acquired and liabilities assumed at fair value as of the date control is obtained. Accordingly, the cost to acquire such interests will be allocated to the underlying net assets in proportion to their respective fair values. The fair value of Bard's identifiable tangible and intangible assets acquired and liabilities assumed are based on a preliminary estimate of fair value as of March 31, 2017. Any excess of the purchase price over the estimated fair value of the net assets acquired will be recorded as goodwill. The establishment of the fair value of consideration for acquisitions and related allocation to acquired assets and liabilities requires the extensive use of significant estimates and management's judgment. Since the Bard Acquisition has not been consummated, the Company's access to information to make such estimates is limited and therefore, certain market based assumptions were used when data was not available; however, management believes the fair values recognized for the assets to be acquired and liabilities to be assumed are based on reasonable estimates and assumptions based on information currently available. As more fully described in the notes to the unaudited pro forma condensed combined financial information, a preliminary allocation of the purchase price has been made to increase the value of inventory to fair value by approximately $500 million; and to recognize the value of identifiable intangible assets at fair value in the aggregate amount of approximately $12.1 billion. It is expected that, in addition to developed products and technology, such identifiable intangible assets will include customer relationships, in-process research and development costs, and brands and trademarks. All other tangible assets acquired and liabilities assumed have been recognized preliminarily in the

accompanying pro forma condensed combined balance sheet at their respective book values, which management believes materially approximate their respective fair values. The excess of the estimated purchase price over the estimated fair value of the net assets acquired of $16.6 billion has been preliminarily allocated to goodwill in the accompanying pro forma condensed combined balance sheet. The allocation of purchase price is preliminary at this time, and will remain as such until the Company completes valuations and other studies in order to finalize the valuation of the net assets acquired, which is not expected to be substantially completed until December 31, 2017. The final allocation of the purchase price is dependent on a number of factors, including the final valuation of the fair value of all tangible and intangible assets acquired and liabilities assumed as of the closing date of the Bard Acquisition when additional information will be available. Such final adjustments, including changes to amortizable tangible and intangible assets, may be material.

For pro forma purposes only, the purchase price allocation discussed above was based on the value of the Company's common stock expected to be transferred as part of the purchase consideration as of April 21, 2017 (which was the last trading day before the public announcement of the Bard Acquisition). The final value of the consideration to be transferred for accounting purposes will ultimately be based on the closing share price of the Company's common stock on the last trading day prior to the closing date of the Bard Acquisition. Accordingly, the purchase price and its related allocation to the underlying net assets of Bard could change materially.

The consummation of the Bard Acquisition remains subject to the satisfaction of customary closing conditions, including the receipt of regulatory and Bard shareholder approvals.

Becton, Dickinson and Company
Unaudited Pro Forma Condensed Combined Balance Sheet
March 31, 2017

(in millions)	Historical Company	Historical Bard	Reclassifications	Equity Financing and Debt Financing	Bard Acquisition	Note References	Pro Forma Combined
ASSETS							
Current Assets:							
Cash and cash equivalents	$ 548	$ 891	$ —	$ 14,891	$ (16,291)	5a, 5d	$ 39
Restricted cash	—	179	—	—	—		179
Short-term investments	8	—	—	—	—		8
Trade receivables, net	1,569	450	—	—	—		2,019
Current portion of net investment in sales-type leases	355	—	—	—	—		355
Inventories	1,747	497	—	—	500	5e	2,744
Prepaid expenses and other	664	284	—	—	—		948
Total Current Assets	**4,891**	**2,301**	**—**	**14,891**	**(15,791)**		**6,292**
Property, plant and equipment, net	3,941	494	—	—	—		4,435
Goodwill	7,405	1,261	—	—	15,327	5f	23,993
Other intangibles, net	6,118	984	—	—	11,143	5g	18,245
Net investment in sales-type leases, less current portion	817	—	—	—	—		817
Deferred tax assets	—	39	(39)	—	—	4	—
Other assets	949	166	39	—	—	4	1,154
Total Assets	**$ 24,121**	**$ 5,245**	**$ —**	**$ 14,891**	**$ 10,679**		**$ 54,936**
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current Liabilities:							
Short-term debt and current maturities of long-term debt	$ 1,224	$ 609	$ —	$ —	$ —		$ 1,833
Payables and accrued expenses	2,794	950	—	—	(36)	5h	3,708
Total Current Liabilities	**4,018**	**1,559**	**—**	**—**	**(36)**		**5,541**
Long-term debt	9,082	1,143	—	10,491	—	5b	20,716
Long-term employee benefit obligations	1,356	—	—	—	—		1,356
Deferred income taxes and other	1,702	871	—	—	4,798	5i	7,371
Shareholders' Equity:							
Preferred stock	—	—	—	2	—	5c	2
Common stock	333	18	—	12	19	5c, 5j	382
Capital in excess of par value	4,742	2,389	—	4,386	5,229	5c, 5j	16,746
Retained earnings	13,320	(514)	—	—	448	5j	13,254
Deferred compensation	22	—	—	—	—		22
Common stock in treasury – at cost	(8,445)	—	—	—	—		(8,445)
Accumulated other comprehensive loss	(2,009)	(221)	—	—	221	5j	(2,009)
Total Shareholders' Equity	**7,963**	**1,672**	**—**	**4,400**	**5,917**		**19,952**
Total Liabilities and Shareholders' Equity	**$ 24,121**	**$ 5,245**	**$ —**	**$ 14,891**	**$ 10,679**		**$ 54,936**

Becton, Dickinson and Company
Unaudited Pro Forma Condensed Combined Statement of Income
Six Months Ended March 31, 2017

(in millions, except per share data)	Historical Company	Historical Bard	Reclassifications	Equity Financing and Debt Financing	Bard Acquisition	Note References	Total Pro Forma
Revenues	**$ 5,892**	**$ 1,906**	**$ —**	**$ —**	**$ —**		**$ 7,798**
Cost of products sold[(a)]	3,007	702	(46)	—	339	4, 6a	4,002
Selling and administrative expense[(a)]	1,432	565	46	—	—	4	2,043
Research and development expense[(a)]	368	149	—	—	—		517
Acquisitions and other restructurings	163	—	2	—	—	4	165
Other operating (income) expense	(335)	—	58	—	—	4	(277)
Total operating costs and expenses	4,635	1,416	60	—	339		6,450
Operating income	**1,257**	**490**	**(60)**	**—**	**(339)**		**1,348**
Interest expense	(181)	(30)	—	(241)	—	6b	(452)
Interest income	12	—	—	—	—		12
Other (expense) income, net	(34)	(57)	60	—	—	4	(31)
Income before income taxes	1,054	403	—	(241)	(339)		877
Income tax provision (benefit)	149	66	—	(92)	(129)	6c	(6)
Net income	**905**	**337**	**—**	**(149)**	**(210)**		**883**
Less: preferred dividends	—	—	—	(71)	—	6d	(71)
Net income attributable to common shareholders	**$ 905**	**$ 337**	**$ —**	**$ (220)**	**$ (210)**		**$ 812**
Earnings per common share							
Basic	$ 4.24						$ 3.10
Diluted	$ 4.15						$ 2.98
Weighted average common shares:							
Basic	213.3			12.2	36.8		262.3
Diluted	218.0			12.2	42.5		272.7
(a) Includes depreciation and amortization expense of:	$ 523	$ 103	$ —	$ —	$ 339		$ 965

Becton, Dickinson and Company
Unaudited Pro Forma Condensed Combined Statement of Income
Year Ended September 30, 2016

(in millions, except per share data)	Historical Company	Historical Bard	Reclassifications	Equity Financing and Debt Financing	Bard Acquisition	Note References	Total Pro Forma
Revenues	**$ 12,483**	**$ 3,714**	**$ —**	**$ —**	**$ —**		**$ 16,197**
Cost of products sold[(a)]	6,492	1,372	(90)	—	677	4, 6a	8,451
Selling and administrative expense[(a)]	3,005	1,102	90	—	—	4	4,197
Research and development expense[(a)]	828	293	—	—	—		1,121
Acquisitions and other restructurings	728	—	29	—	—	4	757
Other operating (income) expense	—	—	205	—	—	4	205
Total operating costs and expenses	11,053	2,767	234	—	677		14,731
Operating income	**1,430**	**947**	**(234)**	**—**	**(677)**		**1,466**
Interest expense	(388)	(54)	—	(447)	—	6b	(889)
Interest income	21	—	—	—	—		21
Other (expense) income, net	11	(229)	234	—	—	4	16
Income before income taxes	1,074	664	—	(447)	(677)		614
Income tax provision (benefit)	98	133	—	(170)	(257)	6c	(196)
Net income	**976**	**531**	**—**	**(277)**	**(420)**		**810**
Less: preferred dividends	—	—	—	(141)	—	6d	(141)
Net income attributable to common shareholders	**$ 976**	**$ 531**	**$ —**	**$ (418)**	**$ (420)**		**$ 669**
Earnings per common share							
Basic	$ 4.59						$ 2.56
Diluted	$ 4.49						$ 2.46
Weighted average common shares:							
Basic	212.7			12.2	36.8		261.7
Diluted	217.5			12.2	42.5		272.2
(a) Includes depreciation and amortization expense of:	$ 1,114	$ 213	$ —	$ —	$ 677		$ 2,004

Notes to the Unaudited Pro Forma Condensed Combined Financial Information

Note 1 - Description of the Transactions

The Bard Acquisition

On April 23, 2017, the Company announced a definitive agreement under which it will acquire Bard for $222.93 in cash (the "Cash Consideration") and 0.5077 shares of Company common stock (the "Equity Consideration") per share of Bard common stock (other than shares owned, directly or indirectly, by the Company, Bard or Merger Corp.). This is expected to result in a purchase price for Bard of approximately $16.1 billion in Cash Consideration (exclusive of transaction costs) and $7.9 billion in Equity Consideration, based on the closing market price of the Company's common stock in effect as of April 21, 2017 (which was the last trading day before the public announcement of the Bard Acquisition). This is used for pro forma purposes only. The value of the consideration transferred for accounting purposes will ultimately be based on the closing share price of the Company's common stock on the last trading day prior to the closing date of the acquisition, and could change materially.

The Cash Consideration is expected to be funded with approximately $4.4 billion of net proceeds raised in the Equity Financing, approximately $10.5 billion of net proceeds raised under the Company's Debt Financing, and approximately $1.4 billion of available cash and cash equivalents expected to be on hand from the combined companies' balance sheets. The mix of funding between cash on hand and debt financing could change based on the amount of cash on hand at the date of acquisition. The Company also will assume Bard's indebtedness.

Under the terms of the Bard Merger Agreement, if the number of shares issuable as part of the Bard Acquisition would exceed 19.9% of the issued and outstanding shares of the Company's common stock immediately prior to the entry into the Bard Merger Agreement, the Equity Consideration will be adjusted downward by the minimum extent necessary so that no more than such number of shares becomes issuable in the Bard Acquisition, and the Cash Consideration will be correspondingly increased as set forth in the Bard Merger Agreement.

The Equity Financing

The Company is giving effect to the issuance of approximately 12.2 million shares of common stock at an assumed price of $185.29 per share (the "Common Stock Offering"), representing the closing market price of the Company's common stock in effect as of April 21, 2017 (which was the last trading day before the public announcement of the Bard Acquisition). In addition, the Company expects to issue depositary shares, each representing a 1/20th ownership interest in a share of Preferred Stock, which is expected to result in approximately 2.3 million shares of the Preferred Stock being outstanding (the "Preferred Stock Offering"). Aggregate net proceeds assumed to be raised in connection with the Equity Financing are assumed to be approximately $4.4 billion.

The shares of Preferred Stock are assumed to be convertible to a minimum of 10.1 million and up to a maximum of 12.2 million shares of Company common stock at an exchange ratio, based on the market price of the Company's common stock at the date of conversion and no later than the mandatory convertibility date of the third anniversary of the issuance of the Preferred Stock. Each share of Preferred Stock also is assumed to be entitled to a quarterly cash dividend payable at an assumed rate of 6.25% per annum.

The Debt Financing

In addition to the net proceeds raised in connection with the Equity Financing, the Company expects to fund a substantial portion of the Cash Consideration and related transactions costs with debt financing. As such, the Company has already secured commitments for a bridge financing facility that provides up to $15.7 billion of availability (the "Bridge Facility") and for new credit facilities, each as described further below.

The Bridge Facility

Borrowings under the Bridge Facility bear interest at the rate of LIBOR plus 150 basis points, with quarterly increases of 25 basis points for each quarter the Bridge Facility is outstanding. In addition, in order to secure commitments under the Bridge Facility, the Company agreed to pay certain one-time, upfront fees and

other periodic fees generally based on the duration of the Bridge Facility. For pro forma purposes, such one-time fees are amortized to interest expense over the expected life of the Bridge Facility, which has the effect of significantly increasing the Company's effective cost of borrowing as reflected in the accompanying unaudited pro forma combined financial information. For pro forma purposes, the Bridge Facility is assumed to extend for the 1.5 years reflected in the pro forma period.

The financing commitments in respect of the Bridge Facility will be automatically reduced, subject to certain exceptions and limitations, on a dollar-for-dollar basis by (i) the net cash proceeds of any issuance of notes by the Company, (ii) the net cash proceeds of the incurrence by the Company of certain other indebtedness for borrowed money, (iii) the net cash proceeds from any issuance of equity by the Company, including the proceeds assumed to be raised from the Equity Financing, (iv) the committed amount or (without duplication) the net cash proceeds of loans under a Term Loan Facility (as defined below) expected to be entered into in connection with the Company's New Credit Facilities (as defined below) and (v) the net cash proceeds of certain sales of assets outside the ordinary course of business. The financing commitments of the Bridge Commitment Parties are currently undrawn and are subject to various conditions set forth in the Bridge Commitment Letter.

New Credit Facilities

The Company has also secured commitments for new credit facilities, consisting of (i) a senior unsecured term loan facility that provides for borrowings of up to $2.25 billion (the "Term Loan Facility") and (ii) a senior unsecured revolving credit facility that provides for borrowing of up to $2.25 billion (the "Revolving Credit Facility" and, when taken together with the Term Loan Facility, the "New Credit Facilities"), which will either refinance or replace the Company's existing revolving credit facility. The Company intends to utilize the Term Loan Facility to fund $2.25 billion of the Cash Consideration. The new Revolving Credit facility is intended to be used for general corporate purposes and/or the refinancing in the future of certain of Bard's indebtedness assumed as part of the Bard Acquisition.

The Exchange Offers

On May 5, 2017, the Company commenced an offer to exchange (the "Exchange Offers'') certain fixed-rate debt securities of Bard in an aggregate principal amount of approximately $1.15 billion for a like-amount of new notes and cash to be issued by the Company. Each new note issued by the Company under the Exchange Offers will have the same interest rate, the same interest payment dates, the same redemption terms and the same maturity dates as the existing Bard debt securities for which it is being exchanged. The Exchange Offers are subject to certain conditions, including the closing of the Bard Acquisition. Because the Exchange Offers are not expected to have a material effect on the Company's financial position, operating results or liquidity, no pro forma effect of the Exchange Offers has been made in the accompanying unaudited pro forma condensed combined financial information.

Pro Forma Effect of the Debt Financing

The accompanying unaudited pro forma condensed combined financial information reflects approximately $8.4 billion of borrowings under the Bridge Facility and $2.25 billion of borrowings under the New Credit Facilities to fund a portion of the Cash Consideration and related transaction costs.

The Company ultimately does not expect to utilize the Bridge Facility, and expects to issue more cost-effective, permanent debt financing. However, there are no assurances at this time that the Company will be able to do so, as any such future financings will be subject to prevailing market conditions at a later time. Accordingly, the accompanying unaudited condensed pro forma combined financial information reflects the higher cost of borrowings under the Bridge Facility. Management expects that it will replace the need for borrowings under the Bridge Facility with the issuance of long-term bonds to be issued at a later date. Assuming that the Company can issue approximately $8.4 billion principal amount of debt under a more permanent debt financing structure at an assumed, weighted-average cost of 4.3% and an assumed, weighted-average life of approximately 8 years, the Company's annual interest expense on a pro forma basis would decrease by approximately $20 million, and net income would increase by approximately $12 million.

Interest Rate Sensitivity

As of March 31, 2017, on a pro forma basis after giving effect to borrowings under both the Company's Bridge Facility and the Term Loan Facility, and the assumption of Bard's indebtedness, the Company would have had approximately $11.326 billion in principal of variable-rate indebtedness and $11.423 billion in principal of

fixed-rate indebtedness. As such, the Company's financing costs are sensitive to changes in interest rates. For each 0.125% increase or decrease in actual or assumed interest rates, the Company's annual interest expense would increase or decrease by approximately $14.2 million, and net income would decrease or increase, respectively, by approximately $8.8 million.

Note 2 - Basis of Pro Forma Presentation

As Bard's fiscal year of December 31 is within 93 days of the Company's September 30 fiscal year, the Company's pro forma condensed combined statement of income for the year ended September 30, 2016 includes Bard's annual operating results for its respective fiscal year ended December 31, 2016. However, in order for the interim period pro forma results to be comparable to the Company's, the Bard six-month period ended March 31, 2017 was calculated as follows:

Bard
Historical Consolidated Statement of Income
For the Six Months Ended March 31, 2017

	Annual 12/31/16	Less: Nine Months 9/30/16	Subtotal Three Months 12/31/16	Add: Three Months 3/31/17	Six Months 3/31/17
			(millions)		
Net sales	**$ 3,714**	**$ 2,747**	**$ 967**	**$ 939**	**$ 1,906**
Cost and expenses:					
Cost of goods sold[(a)]	1,372	1,024	348	354	702
Marketing, selling and administrative expense[(a)]	1,102	822	280	285	565
Research and development expense[(a)]	293	214	79	70	149
Acquisitions and other restructurings	—	—	—	—	—
Other operating income	—	—	—	—	—
Interest expense	54	39	15	15	30
Other (income) expense, net	229	185	44	13	57
Total costs and expenses	**3,050**	**2,284**	**766**	**737**	**1,503**
Income from operations before income taxes	664	463	201	202	403
Income tax provision	133	91	42	24	66
Net income	**$ 531**	**$ 372**	**$ 159**	**$ 178**	**$ 337**
(a) Includes depreciation and amortization expense of:	$ 213	$ 161	$ 52	$ 51	$ 103

As a result, the historical financial information for Bard used for pro forma purposes includes the fourth calendar quarter of 2016 in both the annual 2016 and interim 2017 unaudited pro forma condensed combined financial statements presented herein.

Note 3 - Conforming Accounting Policies

Following the Bard Acquisition, the Company will conduct a review of Bard's accounting policies in an effort to determine if differences in accounting policies require reclassification of Bard's results of operations or reclassification of assets or liabilities to conform to the Company's accounting policies and classifications. As a result of that review, the Company may identify differences between the accounting policies of the two companies that, when conformed, could have a material impact on these pro forma condensed combined financial statements. During the preparation of these unaudited pro forma condensed combined financial statements, the Company was not aware of any material differences between the accounting policies of the two companies and accordingly, these unaudited pro forma condensed combined financial statements do not assume any material differences in accounting policies between the two companies, other than certain financial statement reclassifications described below.

Note 4 - Reclassifications

Certain balances from the consolidated financial statements of Bard were reclassified to conform their presentation to that of the Company's basis of presentation as indicated in the tables below (in millions).

The reclassification to conform to the Company's basis of presentation for its balance sheet has no effect on the net equity of Bard, and relates to the reclassification of $39 million of deferred tax assets to other non-current assets.

Description	March 31, 2017 Increase / (Decrease)
Deferred tax assets	$ (39)
Other assets	39

The reclassifications to conform to the Company's basis of presentation for its statements of income have no effect on net income and primarily relate to:

(i) reclassifications of legal costs from other income (expense) below operating income to the caption "Other operating income" as a component within operating income in the amounts of $205 million for the year ended September 30, 2016 and $58 million for the six months ended March 31, 2017;

(ii) restructuring costs from other income (expense), net, below operating income to a separate classification as a component within operating income in the amounts of $30 million for the year ended September 30, 2016 and $7 million for the six months ended March 31, 2017;

(iii) acquisition-related transaction costs from other income (expense), net, below operating income to a separate classification as a component within operating income in the amounts of $(1) million for the year ended September 30, 2016 and $(5) million for the six months ended March 31, 2017, and

(iv) reclassification of shipping and handling costs from cost of goods sold to a component within selling, general and administrative expenses in the amounts of $90 million for the year ended September 30, 2016 and $46 million for the six months ended March 31, 2017.

Description	Six Months Ended March 31, 2017 Increase / (Decrease)	For the Year Ended September 30, 2016 Increase / (Decrease)
Cost of products sold	$ (46)	$ (90)
Selling and administrative expense	46	90
Acquisitions and other restructurings	2	29
Other operating expense	58	205
Other income (expense), net	60	234

Following the closing of the Bard Acquisition, we will finalize our review of Bard's financial statement presentation in an effort to determine if differences in classification require further adjustment to Bard's results of operations, assets or liabilities to conform to our presentation. As a result of this review, we may identify differences between the classifications of the two companies that, when conformed, could be materially different from the amounts set forth in the accompanying unaudited pro forma condensed combined financial statements.

Note 5 - Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet as of March 31, 2017

This note should be read in conjunction with "Note 1 – Description of The Transactions", "Note 2 – Basis of Pro Forma Presentation", "Note 3 – Conforming Accounting Policies", and "Note 4 – Reclassifications." Adjustments included in the columns "Equity Financing and Debt Financing" and "Bard Acquisition" to the accompanying unaudited pro forma condensed combined balance sheet as at March 31, 2017 are represented, in part, by the following considerations arising out of the allocation of the purchase price to Bard's assets and liabilities (in millions, except per share amounts):

	Consideration		
	Cash	Equity[(a)]	Total
Number of outstanding shares of Bard common stock as of March 31, 2017	72.46	72.46	72.46
Purchase price consideration per share	$ 222.93	$ 94.07	$ 317.00
Subtotal	$ 16,153	$ 6,817	$ 22,970
Consideration issued to settle outstanding stock compensation awards	—	1,049	1,049
Total consideration issued	16,153	7,866	24,019
Less: Portion of settlement of outstanding stock compensation awards to be recognized as an expense, primarily through 2021	—	238	238
Total estimated purchase price consideration	**$ 16,153**	**$ 7,628**	**$ 23,781**

(a) Based on the closing market price of the Company's common stock in effect as of April 21, 2017 (which was the last trading day before the public announcement of the Bard Acquisition)

Purchase Price Allocation

Total consideration transferred			$ 23,781
Recognized amounts of identifiable assets acquired and liabilities assumed			
Net book value of assets acquired		$ 1,672	
Less after-tax transaction costs incurred by Bard		(63)	
Less write-off of pre-existing Bard goodwill and intangible assets		(2,245)	
Adjusted net book value of assets acquired			(636)
Excess book value of net assets to be allocated			24,417
Identifiable intangible assets at fair value			12,127
Increase inventory to fair value			500
Deferred tax impact of fair value adjustments			(4,798)
Total Goodwill			$ 16,588

The pro forma purchase price allocation presented above has been developed based on preliminary estimates of fair value using the historical financial statements and information of Bard as of March 31, 2017. In addition, the allocation of the purchase price to the acquired identifiable assets and assumed liabilities is based on a preliminary estimate of the value of the inventory and the aggregate identifiable intangible assets acquired. The fair value of all other tangible assets acquired and liabilities assumed was presumed by the Company's management to materially approximate their respective net book values as of March 31, 2017 in order to prepare the unaudited pro forma condensed combined financial information.

The final allocation of the purchase price will be determined at a later date and is dependent on a number of factors, including the final valuation of the tangible and identifiable intangible assets acquired and liabilities assumed as of the closing date of the Bard Acquisition. As such, the purchase price allocation will change upon

the receipt of additional and more detailed information, and such changes could result in a material change to the unaudited pro forma condensed combined financial information.

Equity Financing and Debt Financing

(a) The net cash increase to the unaudited pro forma condensed combined balance sheet in the amount of $14.891 billion as of March 31, 2017 relating to:

- an increase in cash and cash equivalents of $4.4 billion to reflect the net proceeds assumed to be raised from the issuance of the depositary shares representing interests in the Preferred Stock and the shares of common stock; and
- an increase in cash and cash equivalents of $10.491 billion to reflect the net proceeds expected to be raised from the Debt Financing.

(b) A net increase in long-term debt of $10.491 billion representing (i) $8.441 billion of borrowings under the Bridge Facility and (ii) $2.250 billion of borrowings under the Term Loan Facility used to fund a portion of the Cash Consideration, net of $200 million of debt issuance costs.

(c) A net increase in shareholders' equity of $4.4 billion consisting of:

- an increase in shareholders' equity relating to the par value of depositary shares representing interests in the Preferred Stock and shares of common stock of $2 million and $12 million, respectively, based on the shares assumed to be issued and the related par values per share of $1 and $1, respectively; and
- an increase in shareholders' equity relating to the aggregate capital assumed to be raised in excess of par value of $4.386 billion, net of $112 million of transaction costs assumed to be incurred to issue the depositary shares representing interests in the Preferred Stock and shares of common stock.

The Bard Acquisition

(d) A decrease in cash and cash equivalents of $16.291 billion, representing the payment of $16.153 billion by the Company of the Cash Consideration as part of the exchange for the outstanding shares of Bard common stock as of March 31, 2017, and the payment of $138 million of acquisition-related transaction costs.

(e) An increase in inventories of $500 million, reflecting the adjustment to increase inventories to their fair value as part of the allocation of the purchase price to the underlying net assets of Bard.

(f) A net increase in goodwill of $15.327 billion consisting of:

- a decrease relating to the write off of Bard's historical goodwill of approximately $1.261 billion; and
- an increase representing the excess of the purchase price over the fair value of Bard's net assets of $16.588 billion.

(g) A net increase in other intangible assets of $11.143 billion consisting of:

- a decrease relating to the write off of Bard's historical identifiable intangible assets of $984 million; and
- an aggregate increase of $12.127 billion to recognize the fair value of acquired identifiable intangible assets.

(h) A net decrease in current payables and accrued expenses of $36 million related to (i) a $26 million decrease in income taxes payable associated with the deductibility of a portion of the acquisition-related transaction costs and (ii) a $10 million decrease in income taxes payable associated with the one-time stock compensation settlement charge to be recognized on the first day of the post-combination period due to an acceleration of the underlying vesting rights of such awards.

(i) An increase in non-current deferred tax liabilities of $4.798 billion related to the incremental book-tax basis differences arising from the revaluation of the net assets acquired in the Bard Acquisition for book purposes.

(j) A net increase in shareholders' equity of $5.917 billion consisting of:

- a net increase of $19 million in the par value of common stock related to (i) a $37 million increase due to the issuance of approximately 36.8 million shares of common stock as part of the Equity Consideration, offset in part by (ii) an $18 million decrease to eliminate the historical par value equity accounts of Bard.

- a net increase of $5.229 billion in capital in excess of par value related to (i) a $7.829 billion increase due to the issuance of approximately 36.8 million shares of common stock and an additional 5.7 million shares on a fully diluted basis in settlement of Bard's outstanding stock compensation awards as part of the Equity Consideration and (ii) a $27 million increase due to the recognition of a portion of the Bard stock compensation settlement charge on the first day of the post-combination period due to an acceleration of the underlying vesting rights of such awards, offset in part by the sum of (iii) a $238 million decrease relating to a portion of the Equity Consideration being re-characterized for financial reporting purposes as a deferred stock compensation charge to be recognized in the post-combination period due to the settlement of outstanding Bard stock compensation awards and (iv) a $2.389 billion decrease to eliminate the historical equity accounts of Bard.

- a net increase of $448 million in retained earnings related to (i) a $514 million increase to eliminate the historical deficit of Bard, (ii) a $49 million decrease to reflect the after-tax effect of the Company expensing $60 million of acquisition-related transaction costs using an effective statutory tax rate of approximately 19% based on an estimate of tax deductibility of transaction costs, and (iii) a $17 million decrease relating to the after-tax effect of expensing a $27 million portion of the Bard stock compensation settlement charge on the first day of the post-combination period due to an acceleration of the underlying vesting rights of such awards. As the recognition of this stock compensation charge has no continuing impact on the combined entity, the cost and associated tax benefit have not been reflected in the accompanying unaudited combined statements of operations for all periods presented; and

- a net increase of $221 million in accumulated other comprehensive loss to eliminate the historical equity accounts of Bard.

Note 6 - Adjustments to Unaudited Pro Forma Condensed Combined Statement of Income

This note should be read in conjunction with "Note 1 – Description of The Transactions", "Note 2 – Basis of Pro Forma Presentation", "Note 3 – Conforming Accounting Policies", and "Note 4 – Reclassifications." Adjustments included in the columns "Equity Financing and Debt Financing" and "Bard Acquisition" to the accompanying unaudited pro forma condensed combined income statements for the six months ended March 31, 2017 and the year ended September 30, 2016 are represented by the following:

(a) Depreciation and Amortization

This adjustment represents the increased amortization for the fair value of identified intangible assets with definite lives for the six months ended March 31, 2017 and the year ended September 30, 2016. The following table shows the pretax impact on amortization expense (in millions):

Description	Weighted Average Useful Life	Fair Value	Six Months Ended March 31, 2017 Increase / (Decrease)	For the Year Ended September 30, 2016 Increase / (Decrease)
Other intangible assets, net	15	12,127	$ 404	$ 808
Less historical intangible assets amortization expense			(65)	(131)
Net pro forma adjustment			$ 339	$ 677

For the six-month period ended March 31, 2017

A net increase in amortization expense of $339 million consisting of:

- the elimination of $65 million of historical amortization expense to write off Bard's historical net book value of identifiable intangible assets, which will be reestablished in the purchase accounting to reflect such identifiable intangible assets at their respective fair values; and
- an increase in amortization expense of $404 million relating to the $12.127 billion aggregate fair value of finite-lived intangible assets, over a weighted-average useful life of an estimated 15 years on a straight-line basis.

For the year ended September 30, 2016

A net increase in amortization expense of $677 million consisting of:

- the elimination of $131 million of historical amortization expense to write off Bard's historical net book value of identifiable intangible assets, which will be reestablished in the purchase accounting to reflect such identifiable intangible assets at their respective fair values; and
- an increase in amortization expense of $808 million relating to the $12.127 billion aggregate fair value of finite-lived intangible assets, over a weighted-average useful life of an estimated 15 years on a straight-line basis.

The amortization of the $500 million increase in the carrying value of Bard's inventory to estimated fair value, which will be recognized in connection with purchase accounting, has not been reflected in the accompanying pro forma condensed combined statements of income for all periods presented. That cost is one-time in nature and is not expected to have any continuing impact on the combined entity, as it will be recognized during the full first year following the closing of the Bard Acquisition.

(b) Interest Expense

This adjustment represents the additional interest expense for the six months ended March 31, 2017 and the year ended September 30, 2016 taking into consideration the additional borrowings incurred by the Company for financing the Bard Acquisition. Refer to the table below for the breakdown of this amount (in millions):

Description	Six Months Ended March 31, 2017	For the Year Ended September 30, 2016
Cash interest on additional borrowings	$ 174	$ 314
Cash interest on commitment fees	2	5
Non-cash amortization of debt issuance costs	65	128
Net pro forma adjustment	$ 241	$ 447

For the six-month period ended March 31, 2017

An increase in interest expense of $241 million consisting of:

- an increase in interest expense of $144 million relating to assumed borrowings of $8.441 billion under the Bridge Debt Facility at an assumed interest rate of 3.4%;
- an increase in interest expense of $30 million relating to assumed borrowings of $2.250 billion under the Term Loan Facility at an assumed interest rate of 2.7%;
- an increase in interest expense of $2 million relating to the annual commitment fees payable on the $2.309 billion of undrawn availability under the Bridge Debt Facility and the New Credit Facilities at a 0.20% rate; and
- an increase in interest expense of $65 million related to the amortization of an aggregate $200 million of debt issuance costs expected to be incurred in connection with the Bridge Debt Facility and New Credit Facilities over the approximate 1.5 year weighted-average life of the facilities for pro forma purposes.

For the year ended September 30, 2016

An increase in interest expense of $447 million consisting of:

- an increase in interest expense of $253 million relating to assumed borrowings of $8.441 billion under the Bridge Debt Facility at an assumed interest rate of 3.0%;
- an increase in interest expense of $61 million relating to assumed borrowings of $2.250 billion under the Term Loan Facility at an assumed interest rate of 2.7%;
- an increase in interest expense of $5 million relating to the annual commitment fees payable on the $2.309 million of undrawn availability under the Bridge Debt Facility and the New Credit Facilities at a 0.20% rate; and
- an increase in interest expense of $128 million related to the amortization of an aggregate $200 million of debt issuance costs expected to be incurred in connection with the Bridge Debt Facility and the New Credit Facilities over the approximate 1.5-year expected life of the facilities for pro forma purposes.

(c) Provision for Income Taxes

This adjustment represents the tax effects of all the adjustments described in Notes 6a and 6b above using the Company's effective statutory tax rate of 38%.

(d) Preferred Dividends

These adjustments reflect an increase in preferred dividend requirements of $71 million for the six-month period ended March 31, 2017 and of $141 million for the year ended September 30, 2016, based on an assumed $2.250 billion liquidation preference on the depositary shares representing interests in the preferred stock and an assumed 6.25% per annum dividend rate. For purposes of calculating dilutive earnings per common share, the effect of the preferred stock is anti-dilutive.

Press Release

BD Announces Commencement of Exchange Offers and Consent Solicitations for C. R. Bard, Inc. Notes

FRANKLIN LAKES, N.J., May 5, 2017 -- BD (Becton, Dickinson and Company) (NYSE: BDX) announced today that, in connection with BD's previously announced acquisition of C. R. Bard, Inc. ("Bard"), BD has commenced offers to exchange (each an "Exchange Offer" and collectively, the "Exchange Offers") any and all outstanding notes issued by Bard as set forth in the table below (the "Bard Notes") for up to $1,149,820,000 aggregate principal amount of new notes issued by BD (the "BD Notes") and cash.

The following table sets forth the Exchange Consideration, Early Tender Premium and Total Exchange Consideration for each series of Bard Notes:

Title of Series/CUSIP Number of Bard Notes	Maturity Date	Aggregate Principal Amount Outstanding	Exchange Consideration(1)	Early Tender Premium(1)	Total Exchange Consideration (1)(2)
4.400% Notes due 2021 / 067383 AC3	January 15, 2021	$500,000,000	$970 principal amount of BD 4.400% Notes due 2021 and $2.50 in cash	$30 principal amount of BD 4.400% Notes due 2021	$1,000 principal amount of BD 4.400% Notes due 2021 and $2.50 in cash
3.000% Notes due 2026 / 067383 AE9	May 15, 2026	$500,000,000	$970 principal amount of BD 3.000% Notes due May 2026 and $20 in cash	$30 principal amount of BD 3.000% Notes due May 2026	$1,000 principal amount of BD 3.000% Notes due May 2026 and $20 in cash
6.700% Notes due 2026 / 067383 AA7	December 1, 2026	$149,820,000	$970 principal amount of BD 6.700% Notes due December 2026 and $2.50 in cash	$30 principal amount of BD 6.700% Notes due December 2026	$1,000 principal amount of BD 6.700% Notes due December 2026 and $2.50 in cash

(1) For each $1,000 principal amount of Bard Notes accepted for exchange.
(2) Includes Early Tender Premium.

In conjunction with the Exchange Offers, BD, on behalf of Bard, is concurrently soliciting consents (each, a "Consent Solicitation" and, collectively, the "Consent Solicitations") to adopt certain proposed amendments to each of the indentures governing the Bard Notes to eliminate substantially all of the restrictive covenants in such indentures and limit the reporting covenants under such indentures so that Bard is only required to comply with the reporting requirements under the Trust Indenture Act of 1939. Each Exchange Offer and Consent Solicitation is conditioned upon the completion of the other Exchange Offers and Consent Solicitations, although BD may waive such condition at any time with respect to an Exchange Offer. Any waiver of a condition by BD with respect to an Exchange Offer will automatically waive such condition with respect to the corresponding Consent Solicitation, as applicable.

The Exchange Offers and Consent Solicitations are being made pursuant to the terms and subject to the conditions set forth in the offering memorandum and consent solicitation statement dated May 5, 2017, and are conditioned upon the closing of the Bard acquisition, which condition may not be waived by BD. The closing of the Bard acquisition is expected to occur in the fall of 2017.

Holders who validly tender their Bard Notes at or prior to 5:00 p.m., New York City time, on May 18, 2017, unless extended (the "Early Tender Date"), will be eligible to receive the applicable Total Exchange Consideration as set forth in the table above, which includes the applicable Early Tender Premium as set forth in the table, for all such Bard Notes that are accepted. For each $1,000 principal amount of Bard Notes validly tendered after the Early Tender Date but prior to 12:01 a.m., New York City time, on June 5, 2017, unless extended (the "Expiration Date"), holders of Bard Notes will not be eligible to receive the applicable Early Tender Premium and, accordingly, will only be eligible to receive the applicable Exchange Consideration as set forth in the table above on the settlement date. The settlement date is expected to occur promptly after the Expiration Date and is expected to occur on the closing date of the Bard acquisition, subject to the satisfaction or (other than in relation to the Bard acquisition) waiver of the applicable conditions.

Documents relating to the Exchange Offers and Consent Solicitations will only be distributed to eligible holders of Bard Notes who complete and return an eligibility form confirming that they are either a "qualified institutional buyer" under Rule 144A or not a "U.S. person" and outside the United States under Regulation S for purposes of applicable securities laws. The complete terms and conditions of the Exchange Offers and Consent Solicitations are described in the offering memorandum and consent solicitation statement and related letter of transmittal and consent, copies of which may be obtained by contacting Global Bondholder Services Corporation, the exchange agent and information agent in connection with the Exchange Offers and Consent Solicitations, at (866) 470-3900 (U.S. toll-free) or (212) 430-3774 (banks and brokers). The eligibility form is available electronically at: http://gbsc-usa.com/eligibility/bd.

This press release does not constitute an offer to sell or purchase, or a solicitation of an offer to sell or purchase, or the solicitation of tenders or consents with respect to, any security. No offer, solicitation, purchase or sale will be made in any jurisdiction in which such an offer, solicitation or sale would be unlawful. The Exchange Offers and Consent Solicitations are being made solely pursuant to the offering memorandum and consent solicitation statement and letter of transmittal and consent and only to such persons and in such jurisdictions as are permitted under applicable law.

The BD Notes have not been registered under the Securities Act of 1933, as amended, or any state securities laws. Therefore, the BD Notes may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act of 1933, as amended, and any applicable state securities laws.

FORWARD-LOOKING STATEMENTS

This press release contains certain estimates and other "forward-looking statements" within the meaning of the federal securities laws, including Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward looking statements generally are accompanied by words such as "will", "expect", "outlook" "anticipate," "intend," "plan," "believe," "seek," "see," "will," "would," "target," or other similar words, phrases or expressions and variations or negatives of these words. Forward-looking statements by their nature address matters that are, to different degrees, uncertain, such as statements regarding the expected timing of completion of the Exchange Offers, receipt of requisite consents in the Consent Solicitations, consummation of the Bard acquisition and other statements that are not historical facts. These statements are based on the current expectations of BD management and are not predictions of actual performance.

These statements are subject to a number of risks and uncertainties regarding BD and Bard's respective businesses and the proposed acquisition, and actual results may differ materially. These risks and uncertainties include, but are not limited to, (i) the ability of the parties to successfully complete the proposed acquisition on anticipated terms and timing, including obtaining required shareholder and regulatory approvals, anticipated tax treatment, unforeseen liabilities, future capital expenditures, revenues, expenses, earnings, synergies, economic performance, indebtedness, financial condition, losses, future prospects, business and management strategies for the management, expansion and growth of the new combined company's operations and other conditions to the completion of the acquisition, (ii) risks relating to the integration of Bard's operations, products and employees into BD and the possibility that the anticipated synergies and other benefits of the proposed acquisition will not be realized or will not be realized within the expected timeframe, (iii) the outcome of any legal proceedings related to the proposed acquisition, (iv) access to available financing including for the refinancing of BD's or Bard's debt on a timely basis and reasonable terms, (v) the ability to market and sell Bard's products in new markets, including the ability to obtain necessary regulatory product registrations and clearances, (vi) the loss of key senior management or other associates, the anticipated demand for BD's and Bard's products, including the risk of future reductions in government healthcare funding, changes in reimbursement rates or changes in healthcare practices that could result in lower utilization rates or pricing pressures, (vii) the impact of competition in the medical device industry, (viii) the risks of fluctuations in interest or foreign currency exchange rates, (ix) product liability claims, (x) difficulties inherent in product development, including the timing or outcome of product development efforts, the ability to obtain regulatory approvals and clearances and the timing and market success of product launches, (xi) risks relating to fluctuations in the cost and availability of raw materials and other sourced products and the ability to maintain favorable supplier arrangements and relationships, (xii) successful compliance with governmental regulations applicable to BD, Bard and the combined company, (xiii) changes in regional, national or foreign economic conditions, (xiv) uncertainties of litigation, and (xv) other factors discussed in BD's and Bard's respective filings with the Securities and Exchange Commission.

The forward-looking statements in this press release speak only as of date of this announcement. BD and Bard undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date hereof, except as required by applicable laws or regulations.

BD
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