

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

**Form 10-K**

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

COMMISSION FILE NUMBER 1-4802

**BECTON, DICKINSON AND COMPANY**

*(Exact name of registrant as specified in its charter)*

**New Jersey**

*(State or other jurisdiction of  
incorporation or organization)*

**22-0760120**

*(I.R.S. Employer  
Identification No.)*

**1 Becton Drive**

**Franklin Lakes, New Jersey**  
*(Address of principal executive offices)*

**07417-1880**

*(Zip code)*

**(201) 847-6800**

*(Registrant's telephone number, including area code)*

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

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, par value \$1.00	New York Stock Exchange

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

**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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

As of March 31, 2016, the aggregate market value of the registrant's outstanding common stock held by non-affiliates of the registrant was approximately \$32,175,610,976.

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As of October 31, 2016, 212,319,588 shares of the registrant's common stock were outstanding.

**Documents Incorporated by Reference**

Portions of the registrant's Proxy Statement for the Annual Meeting of Shareholders to be held January 24, 2017 are incorporated by reference into Part III hereof.

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**PART I**

**Item 1. Business.**

**General**

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

BD is a global medical technology company engaged in the development, manufacture and sale of a broad range of medical supplies, devices, laboratory equipment and diagnostic products used by healthcare institutions, life science researchers, clinical laboratories, the pharmaceutical industry and the general public. We provide customer solutions that are focused on improving medication management and patient safety; supporting infection prevention practices; equipping surgical and interventional procedures; improving drug delivery; aiding anesthesiology care; enhancing the diagnosis of infectious diseases and cancers; advancing cellular research and applications; and supporting the management of diabetes.

**Business Segments**

BD’s operations consist of two worldwide business segments: BD Medical and BD Life Sciences. Information with respect to BD’s business segments is included in Note 6 to the consolidated financial statements contained in Item 8, Financial Statements and Supplementary Data, and is incorporated herein by reference.

***BD Medical***

BD Medical produces a broad array of medical technologies and devices that are used to help improve healthcare delivery in a wide range of settings. The primary customers served by BD Medical are hospitals and clinics; physicians’ office practices; consumers and retail pharmacies; governmental and nonprofit public health agencies; pharmaceutical companies; and healthcare workers. BD Medical consists of the following business units:

<u><i>Business Unit</i></u>	<u><i>Principal Product Lines</i></u>
Diabetes Care	Syringes, pen needles and IV sets for the injection or infusion of insulin and other drugs used in the treatment of diabetes.
Medication and Procedural Solutions	Needles, syringes and intravenous catheters for medication delivery (including safety-engineered and auto-disable devices); prefilled IV flush syringes; regional anesthesia needles and trays; sharps disposal containers; closed-system transfer devices; skin antiseptic products; and surgical and laproscopic instrumentation.
Medication Management Solutions	Intravenous medication safety and infusion therapy delivery systems, including infusion pumps and dedicated disposables; medication compounding workflow systems; and automated medication dispensing and supply management systems.
Pharmaceutical Systems	Prefillable drug delivery systems provided to pharmaceutical companies and sold to end-users as drug/device combinations.

***BD Life Sciences***

BD Life Sciences provides products for the safe collection and transport of diagnostics specimens, and instruments and reagent systems to detect a broad range of infectious diseases, healthcare-associated infections (“HAIs”) and cancers. In addition, BD Life Sciences produces research and clinical tools that facilitate the study of cells, and the components of cells, to gain a better understanding of normal and disease processes. That information is used to aid the discovery and development of new drugs and vaccines, and to improve the diagnosis and management of diseases. The primary customers served by BD Life Sciences are hospitals, laboratories and clinics; blood banks; healthcare workers; public health agencies; physicians’ office practices; academic and government institutions; and pharmaceutical and biotechnology companies. BD Life Sciences consists of the following business units:

<u>Business Unit</u>	<u>Principal Product Lines</u>
Preanalytical Systems	Integrated systems for specimen collection; safety-engineered blood collection products and systems.
Diagnostic Systems	Automated blood culturing and tuberculosis culturing systems; molecular testing systems for infectious diseases and women's health; microorganism identification and drug susceptibility systems; liquid-based cytology systems for cervical cancer screening; rapid diagnostic assays; microbiology laboratory automation; and plated media.
Biosciences	Fluorescence-activated cell sorters and analyzers; monoclonal antibodies and kits for performing cell analysis; reagent systems for life science research; molecular indexing and next-generation sequencing sample preparation for genomics research; clinical oncology, immunological (HIV) and transplantation diagnostic/monitoring reagents and analyzers; and cell culture media supplements for biopharmaceutical manufacturing.

#### **Acquisitions and Divestitures**

On March 17, 2015, BD completed the acquisition of CareFusion Corporation ("CareFusion"), a global medical technology company with a comprehensive portfolio of products in the areas of medication management, infection prevention, operating room and procedural effectiveness, and respiratory care. The CareFusion acquisition positions BD as a global leader in medication management. CareFusion product lines are included in our Medical Segment, which is discussed below.

In March 2016, BD signed a definitive agreement to sell 50.1% of its Respiratory Solutions business and form a joint venture with respect to this business. The Respiratory Solutions business was acquired in the CareFusion acquisition in 2015 and was a component of the Medical segment. Upon closing of the transaction, which occurred on October 3, 2016, the Company transferred the Respiratory Solutions business to a new standalone entity, retaining a 49.9% non-controlling interest. The buyer controls the operations and governance of the new entity.

Additional information regarding this Respiratory Solutions transaction is contained in Note 10 to the consolidated financial statements contained in Item 8, Financial Statements and Supplementary Data, which is incorporated herein by reference.

#### **International Operations**

BD's products are manufactured and sold worldwide. For reporting purposes, we organize our operations outside the United States as follows: Europe, EMA (which includes the Commonwealth of Independent States, the Middle East and Africa); Greater Asia (which includes Japan and Asia Pacific); Latin America (which includes Mexico, Central America, the Caribbean and South America); and Canada. The principal products sold by BD outside the United States are hypodermic needles and syringes; insulin syringes and pen needles; BD Hypak™ brand prefillable syringe systems; infusion therapy products including Alaris® infusion pumps; pharmacy automation equipment including Pyxis™ systems; BD Vacutainer™ brand blood collection products; diagnostic systems and laboratory equipment and products; flow cytometry instruments and reagents. BD has manufacturing operations outside the United States in Bosnia and Herzegovina, Brazil, Canada, China, Dominican Republic, France, Germany, Hungary, India, Ireland, Italy, Japan, Mexico, the Netherlands, Singapore, Spain, and the United Kingdom. Geographic information with respect to BD's operations is included under the heading "Geographic Information" in Note 6 to the consolidated financial statements included in Item 8, Financial Statements and Supplementary Data, and is incorporated herein by reference.

Foreign economic conditions and exchange rate fluctuations have caused the profitability related to foreign revenues to fluctuate more than the profitability related to domestic revenues. BD believes its activities in some countries outside the United States involve greater risk than its domestic business due to the factors cited herein, as well as the economic environment, local commercial and economic policies and political uncertainties. See further discussion of this risk in Item 1A. Risk Factors.

#### **Distribution**

BD's products are marketed in the United States and internationally through independent distribution channels and directly to end-users by BD and independent sales representatives. Order backlog is not material to BD's business inasmuch as orders for BD products generally are received and filled on a current basis, except for items temporarily out of stock. BD's worldwide sales are not generally seasonal, with the exception of certain medical devices in the Medication and Procedural Solutions Business Unit, and respiratory and flu diagnostic products in the Diagnostic Systems Business Unit, which relate to seasonal diseases such as influenza.

#### **Raw Materials**

BD purchases many different types of raw materials, including plastics, glass, metals, textiles, paper products, agricultural products, electronic and mechanical sub-assemblies and various biological, chemical and petrochemical products. BD seeks to ensure continuity of raw material supply by securing multiple options for sourcing. However, there are situations where raw materials are only available from one supplier, which are referred to as sole sourced. The use of sole sourced materials may be due to sourcing of proprietary and/or patented technology and processes that are intended to provide a unique market differentiation to our product. In other cases, while a raw material can be sourced from multiple manufacturers, only one supplier is qualified due to quality assurance, cost or other considerations. In order to provide alternate sources of raw materials, BD must complete a rigorous qualification process, which most often includes completion of regulatory registration and approval. If clinical trials are not required, this qualification process can take 3-18 months depending on the criticality of the change. When clinical trials are required, this process may lengthen the qualification phase from one to three years. BD continuously assesses its sole sourced raw materials and maintains business continuity plans with our suppliers. BD's continuity plans may include securing secondary supply with alternate suppliers, qualification of alternate manufacturing facilities, maintaining contingency stock, internal development of supply and establishment of technology escrow accounts. While BD works closely with its suppliers, there may nonetheless be events that cause supply interruption, reduction or termination that adversely impacts BD's ability to manufacture and sell certain products.

### **Research and Development**

BD conducts its research and development ("R&D") activities at its operating units and at BD Technologies in Research Triangle Park, North Carolina. The majority of BD's R&D activities are conducted in North America. Outside North America, BD conducts R&D activities in China, France, India, Ireland and Singapore. BD also collaborates with certain universities, medical centers and other entities on R&D programs and retains individual consultants and partners to support its efforts in specialized fields. BD spent approximately \$828 million, \$632 million and \$550 million on research and development during the fiscal years ended September 30, 2016, 2015, and 2014, respectively.

### **Intellectual Property and Licenses**

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

### **Competition**

BD operates in the increasingly complex and challenging medical technology marketplace. Technological advances and scientific discoveries have accelerated the pace of change in medical technology, the regulatory environment of medical products is becoming more complex and vigorous, and economic conditions have resulted in a challenging market. Companies of varying sizes compete in the global medical technology field. Some are more specialized than BD with respect to particular markets, and some have greater financial resources than BD. New companies have entered the field, particularly in the areas of molecular diagnostics, safety-engineered devices and in the life sciences, and established companies have diversified their business activities into the medical technology area. Other firms engaged in the distribution of medical technology products have become manufacturers of medical devices and instruments as well. Acquisitions and collaborations by and among companies seeking a competitive advantage also affect the competitive environment. In addition, the entry into the market of manufacturers located in China and other low-cost manufacturing locations are creating increased pricing pressures, particularly in developing markets. Some competitors have also established manufacturing sites or have contracted with suppliers located in these countries as a means to lower their costs.

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

### **Third-Party Reimbursement**

A majority of BD's customers rely on third-party payers, including government programs and private health insurance plans, to reimburse some or all of the cost of the procedures, products and services they provide. Our technologies are subject to worldwide regulations regarding reimbursement developed by government agencies, including the Centers for Medicare and Medicaid Services (CMS) in the United States; the National Health Service in the United Kingdom; the Joint Federal Committee in Germany; the Commission d'Evaluation des Produits et prestations in France; the Ministry for Health, Labor and

Welfare in Japan; the Ministry of Health and the National Development and Reform Commission in China; among many others. In addition, our technologies are also subject to reimbursement policies issued by private insurance companies and managed care organizations.

BD is actively engaged in identifying and communicating value propositions of its products for payer, provider, and patient stakeholders, and it employs various efforts and resources to positively impact coverage, coding and payment pathways. However, BD has no direct control over payer decision-making with respect to coverage and payment levels for BD products. The manner and level of reimbursement in any given case may depend on the site of care, the procedure(s) performed, the final patient diagnosis, the device(s) and/or drug(s) utilized, the available budget, or a combination of these factors, and coverage and payment levels are determined at each payer's discretion. As BD's product offerings are diverse across a variety of healthcare settings, they are affected to varying degrees by the many payment pathways that impact the decisions of healthcare providers regarding which medical products they purchase and the prices they are willing to pay for those products. Therefore, changes in reimbursement levels or methods may either positively or negatively impact sales of BD products in any given country for any given product.

As government programs seek to expand healthcare coverage for their citizens, they have at the same time sought to control costs by limiting the amount of reimbursement they will pay for particular procedures, products or services. Many third-party payers have developed specific payment and delivery mechanisms to support these cost control efforts and to focus on paying for value. These mechanisms include payment reductions, pay for performance measures, quality-based performance payments, restrictive coverage policies, bidding and tender mechanics, studies to compare the effectiveness of therapies and use of technology assessments. These changes have created an increased emphasis on the delivery of more cost-effective and quality-driven healthcare.

In addition, as a result of the Patient Protection and Affordable Care Act ("PPACA"), the U.S. is now moving beyond value based payment methodologies and seeking to create alternative payment models such as bundled payments to continue to drive improved value. We see other governments around the world considering similar bundling reform measures, including the development of the Diagnosis Related Group ("DRG") as a payment mechanism to drive toward quality and resource based reimbursement.

See Item 1A. Risk Factors for a further discussion.

## **Regulation**

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

BD actively maintains FDA/ISO Quality Systems that establish standards for its product design, manufacturing, and distribution processes. Prior to marketing or selling most of its products, BD must secure approval from the FDA and counterpart non-U.S. regulatory agencies. Following the introduction of a product, these agencies engage in periodic reviews and inspections of BD's quality systems, as well as product performance and advertising and promotional materials. These regulatory controls, as well as any changes in FDA policies, can affect the time and cost associated with the development, introduction and continued availability of new products. Where possible, BD anticipates these factors in its product development and planning processes. These agencies possess the authority to take various administrative and legal actions against BD, such as product recalls, product seizures and other civil and criminal sanctions. BD also undertakes voluntary compliance actions such as voluntary recalls.

BD also is subject to various federal and state laws, and laws outside the United States, concerning healthcare fraud and abuse (including false claims laws and anti-kickback laws), global anti-corruption, transportation, safety and health, and customs and exports. Many of the agencies enforcing these laws have increased their enforcement activities with respect to medical device manufacturers in recent years. This appears to be part of a general trend toward increased regulation and enforcement activity within and outside the United States.

In addition, as part of PPACA, the federal government has enacted the Sunshine Act provisions requiring BD to publicly report gifts and payments made to physicians and teaching hospitals. Many of these provisions are new and uncertain, and failure to comply could result in a range of fines, penalties and/or other sanctions.

Our infusion pump business unit is operating under an amended consent decree entered into by CareFusion with the FDA in 2007. CareFusion's consent decree with the FDA related to its Alaris SE infusion pumps. In February 2009, CareFusion and the FDA amended the consent decree to include all infusion pumps manufactured by or for CareFusion 303, Inc., the business unit that manufactures and sells infusion pumps in the United States. The amended consent decree does not apply to intravenous administration sets and accessories.

While this BD business unit remains subject to the amended consent decree, which includes the requirements of the original consent decree, it has made substantial progress in its compliance efforts. However, we cannot predict the outcome of this matter, and the amended consent decree authorizes the FDA, in the event of any violations in the future, to order us to cease manufacturing and distributing infusion pumps, recall products and take other actions. We may be required to pay damages of \$15,000 per day per violation if we fail to comply with any provision of the amended consent decree, up to \$15 million per year.

We also cannot currently predict whether additional monetary investment will be incurred to resolve this matter or the matter's ultimate impact on our business. We may be obligated to pay more costs in the future because, among other things, the FDA may determine that we are not fully compliant with the amended consent decree and therefore impose penalties under the amended consent decree, and/or we may be subject to future proceedings and litigation relating to the matters addressed in the amended consent decree. As of September 30, 2016, we do not believe that a loss is probable in connection with the amended consent decree, and accordingly, we have no accruals associated with compliance with the amended consent decree.

See also Item 3. Legal Proceedings.

## **Employees**

As of September 30, 2016, BD had 50,928 employees, of which 18,480 were employed in the U.S. (including Puerto Rico). BD believes that its employee relations are satisfactory.

## **Available Information**

BD maintains a website at [www.bd.com](http://www.bd.com). BD also makes available its Annual Reports on Form 10-K, its Quarterly Reports on Form 10-Q, and its Current Reports on Form 8-K (and amendments to those reports) as soon as reasonably practicable after those reports are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). These filings may be obtained and printed free of charge at [www.bd.com/investors](http://www.bd.com/investors). In addition, the written charters of the Audit Committee, the Compensation and Management Development Committee, the Corporate Governance and Nominating Committee, the Executive Committee and the Science, Marketing, Innovation and Technology Committee of the Board of Directors, BD's Corporate Governance Principles and its Code of Conduct, are available at BD's website at [www.bd.com/investors/corporate\\_governance/](http://www.bd.com/investors/corporate_governance/). Printed copies of these materials, this 2016 Annual Report on Form 10-K, and BD's reports and statements filed with, or furnished to, the SEC, may be obtained, without charge, by contacting the Corporate Secretary, BD, 1 Becton Drive, Franklin Lakes, New Jersey 07417-1880, telephone 201-847-6800. In addition, the SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at [www.sec.gov](http://www.sec.gov).

BD also routinely posts important information for investors on its website at [www.bd.com/investors](http://www.bd.com/investors). BD may use this website as a means of disclosing material, non-public information and for complying with its disclosure obligations under Regulation FD adopted by the SEC. Accordingly, investors should monitor the Investor Relations portion of BD's website noted above, in addition to following BD's press releases, SEC filings, and public conference calls and webcasts. Our website and the information contained therein or connected thereto shall not be deemed to be incorporated into this Annual Report.

## **Forward-Looking Statements**

BD and its representatives may from time-to-time make certain forward-looking statements in publicly-released materials, both written and oral, including statements contained in filings with the SEC and in its reports to shareholders. Additional information regarding BD's forward-looking statements is contained in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

### **Item 1A. Risk Factors.**

An investment in BD involves a variety of risks and uncertainties. The following describes some of the significant risks that could adversely affect BD's business, financial condition, operating results or cash flows.

## **Risks Relating to the Company**

### **Global economic conditions could adversely affect our operations.**

Deterioration in the global economic environment, particularly in emerging markets and countries with government-sponsored healthcare systems, may cause decreased demand for our products and services and increased competition, which could result in lower sales volume and downward pressure on the prices for our products, longer sales cycles, and slower adoption of new technologies. A weakening of macroeconomic conditions may also adversely affect our suppliers, which could result in interruptions in supply. We have also previously experienced delays in collecting government receivables in certain countries in Western Europe due to economic conditions, and we may experience similar delays in the future in these and other countries or regions experiencing financial problems.

**The medical technology industry is very competitive.**

We are a global company that faces significant competition from a wide range of companies. These include large medical device companies with multiple product lines, some of which may have greater financial and marketing resources than we do, and firms that are more specialized than we are with respect to particular markets or product lines. We face competition across all our product lines and in each market in which our products are sold on the basis of product features, clinical outcomes, product quality, price, services and other factors. In addition, we face changing customer preferences and requirements, including increased customer demand for more environmentally-friendly products.

The medical technology industry is also subject to rapid technological change and discovery. The development of new or improved products, processes or technologies by other companies (such as needle-free injection technology) may render our products or proposed products obsolete or less competitive. In some instances, competitors, including pharmaceutical companies, also offer, or are attempting to develop, alternative therapies for disease states that may be delivered without a medical device. The entry into the market of manufacturers located in China and other low-cost manufacturing locations has also created pricing pressure, particularly in developing markets.

**We are subject to foreign currency exchange risk.**

A substantial amount of our revenues are derived from international operations, and we anticipate that a significant portion of our sales will continue to come from outside the U.S. in the future. The revenues we report with respect to our operations outside the United States may be adversely affected by fluctuations in foreign currency exchange rates. A discussion of the financial impact of exchange rate fluctuations and the ways and extent to which we may attempt to address any impact is contained in Item 7., Management's Discussion of Financial Condition and Results of Operations. Any hedging activities we engage in may only offset a portion of the adverse financial impact resulting from unfavorable changes in foreign currency exchange rates. We cannot predict with any certainty changes in foreign currency exchange rates or the degree to which we can mitigate these risks.

**Changes in reimbursement practices of third-party payers could affect the demand for our products and the prices at which they are sold.**

Our sales depend, in part, on the extent to which healthcare providers and facilities are reimbursed by government authorities, private insurers and other third-party payers for the costs of our products. The coverage policies and reimbursement levels of third-party payers, which can vary among public and private sources and by country, may affect which products customers purchase and the prices they are willing to pay for those products in a particular jurisdiction. Reimbursement rates can also affect the acceptance rate of new technologies and products. Legislative or administrative reforms to reimbursement systems in the United States or abroad, changes in reimbursement rates by private payers, or adverse decisions relating to our products by administrators of these systems could significantly reduce reimbursement for procedures using our products or result in denial of reimbursement for those products, which would adversely affect customer demand or the price customers are willing to pay for such products. See "Third-Party Reimbursement" under Item 1., Business.

**Federal healthcare reform may adversely affect our results of operations.**

The PPACA imposes on medical device manufacturers, such as BD, a 2.3% excise tax on U.S. sales of certain medical devices. While the excise tax has been suspended until the end of 2017, it may be reinstated in 2018 or beyond. In addition, the PPACA, among other things, reduces Medicare and Medicaid payments to hospitals, clinical laboratories and pharmaceutical companies, and could otherwise reduce the volume of medical procedures. These factors, in turn, could result in reduced demand for our products and increased downward pricing pressure. It is also possible that the PPACA will result in lower reimbursement rates for our products. Other provisions in the law may significantly change the practice of health care and could adversely affect aspects of our business.

**Consolidation in the healthcare industry could adversely affect our future revenues and operating income.**

The medical technology industry has experienced a significant amount of consolidation, resulting in companies with greater market presence. Health care systems and other health care companies are also consolidating, resulting in greater purchasing power for these companies. As a result, competition among medical device suppliers to provide goods and services has increased. Group purchasing organizations and integrated health delivery networks have also served to concentrate purchasing decisions for some customers, which has led to downward pricing pressure for medical device suppliers. Further consolidation in the industry could intensify competition among medical device suppliers and exert additional pressure on the prices of our products.

**Cost volatility could adversely affect our operations.**

Our results of operations could be negatively impacted by volatility in the cost of raw materials, components, freight and energy that increases the costs of producing and distributing our products. New laws or regulations adopted in response to

climate change could also increase energy costs as well as the costs of certain raw materials and components. In particular, we purchase supplies of resins, which are oil-based components used in the manufacture of certain products, and any significant increases in resin costs could adversely impact future operating results. Increases in oil prices can also increase our packaging and transportation costs. We may not be able to offset any increases in these operational costs.

**Breaches of our information technology systems could have a material adverse effect on our operations.**

We rely on information technology systems to process, transmit, and store electronic information in our day-to-day operations, including sensitive personal information and proprietary or confidential information. In addition, some of our products include information technology that collects data regarding patients and patient therapy on behalf of our customers and some connect to our systems for maintenance purposes. Our information technology systems have been subjected to attack via malicious code execution, cyber- or phishing- attacks, and we have experienced instances of unauthorized access to our systems in the past and expect to be subject to similar attacks in the future. In addition to our own information, in the course of doing business, we sometimes store information with third parties that could be subject to these types of attacks. Cyber-attacks could result in our intellectual property and other confidential information being accessed or stolen. Likewise, we could suffer disruption of our operations and other significant negative consequences including increased costs for security measures or remediation, diversion of management attention, and adverse impact on our relationships with vendors, business partners and customers. Unauthorized tampering, adulteration or interference with our products may also create issues with product functionality that could result in a loss of data, risk to patient safety, and product recalls or field actions. Our lack of success in preventing unauthorized access to our systems and products could also result in actions by regulatory bodies or civil litigation. While we will continue to dedicate significant resources to protect the company against unauthorized access to our systems and work with government authorities to detect and reduce the risk of future cyber incidents, cyber-attacks are becoming more sophisticated frequent, and adaptive. There can be no assurances that our protective measures will prevent future attacks that could have a material adverse impact on our business.

**Our future growth is dependent in part upon the development of new products, and there can be no assurance that such products will be developed.**

A significant element of our strategy is to increase revenue growth by focusing on product offerings that deliver greater benefits to patients, healthcare workers and researchers. The development of these products requires significant investment in research and development, clinical trials and regulatory approvals. The results of our product development efforts may be affected by a number of factors, including our ability to anticipate customer needs, innovate and develop new products and technologies, successfully complete clinical trials, obtain regulatory approvals and reimbursement in the United States and abroad, manufacture products in a cost-effective manner, obtain appropriate intellectual property protection for our products, and gain and maintain market acceptance of our products. In addition, patents attained by others can preclude or delay our commercialization of a product. There can be no assurance that any products now in development or that we may seek to develop in the future will achieve technological feasibility, obtain regulatory approval or gain market acceptance.

**We cannot guarantee that any of our strategic acquisitions, investments or alliances will be successful.**

We may seek to supplement our internal growth through strategic acquisitions, investments and alliances. Such transactions are inherently risky, and the integration of any newly-acquired business requires significant effort and management attention. The success of any acquisition, investment or alliance may be affected by a number of factors, including our ability to properly assess and value the potential business opportunity or to successfully integrate any business we may acquire into our existing business. There can be no assurance that any past or future transaction will be successful.

**The international operations of our business may subject us to certain business risks.**

A substantial amount of our sales come from our operations outside the United States, and we intend to continue to pursue growth opportunities in foreign markets, especially in emerging markets. Our foreign operations subject us to certain risks, including the effects of fluctuations in foreign currency exchange (discussed above), the effects of local economic and political conditions, foreign regulatory requirements or changes in such requirements, local product preferences and product requirements, difficulty in establishing, staffing and managing foreign operations, differing labor regulations, changes in tax laws, potential political instability, weakening or loss of the protection of intellectual property rights in some countries, import or export licensing requirements, trade protection measures and restrictions on the transfer of capital across borders. The success of our operations outside the United States depends, in part, on our ability to acquire or form and maintain alliances with local companies and make necessary infrastructure enhancements to, among other things, our production facilities and sales and distribution networks.

The June 2016 referendum by British voters to exit the European Union (“EU”) (commonly known as “Brexit”) has created uncertainties affecting business operations in the United Kingdom (“UK”) and the EU. Following the vote, there was a significant decline in the value of the British pound compared to the U.S. dollar, and there may be continued volatility in exchange rates and economic conditions as the UK negotiates its exit from the EU. Until the terms and timing of the UK’s exit

from the EU are determined, it is difficult to predict its impact. It is possible that the referendum and proposed withdrawal could, among other things, affect the legal and regulatory schemes to which our businesses are subject, impact trade between the UK and the EU and other parties and create economic uncertainty in the region.

In addition, our international operations are governed by the U.S. Foreign Corrupt Practices Act and similar anti-corruption laws outside the U.S. Global enforcement of anti-corruption laws has increased substantially in recent years, with more enforcement proceedings by U.S. and foreign governmental agencies and the imposition of significant fines and penalties. While we have implemented policies and procedures to enhance compliance with these laws, our international operations, which often involve customer relationships with foreign governments, create the risk that there may be unauthorized payments or offers of payments made by employees, consultants, sales agents or distributors. Any alleged or actual violations of these laws may subject us to government investigations, significant criminal or civil sanctions and other liabilities, and negatively affect our reputation.

Under the U.S. tax code, we may also be subject to additional taxation to the extent we repatriate earnings from our foreign operations to the U.S. In the event we require more capital in the United States than is generated by our U.S. operations to fund acquisitions or other activities and elect to repatriate earnings from foreign jurisdictions, our effective tax rate may be higher as a result.

**Reductions in customers' research budgets or government funding may adversely affect our business.**

We sell products to researchers at pharmaceutical and biotechnology companies, academic institutions, government laboratories and private foundations. Research and development spending of our customers can fluctuate based on spending priorities and general economic conditions. A number of these customers are also dependent for their funding upon grants from U.S. government agencies, such as the U.S. National Institutes of Health ("NIH") and agencies in other countries. The level of government funding of research and development is unpredictable. For instance, there have been instances where NIH grants have been frozen or otherwise unavailable for extended periods. The availability of governmental research funding may be adversely affected by economic conditions and governmental spending reductions. Any reduction or delay in governmental funding could cause our customers to delay or forego purchases of our products.

**A reduction or interruption in the supply of certain raw materials and components would adversely affect our manufacturing operations and related product sales.**

We purchase many different types of raw materials and components used in our products. Certain raw materials and components are not available from multiple sources. In addition, for quality assurance, cost-effectiveness and other reasons, we elect to purchase certain raw materials and components from sole suppliers. The supply of these materials can be disrupted for a number of reasons, including economic conditions as described above. While we work with suppliers to ensure continuity of supply, no assurance can be given that these efforts will be successful. In addition, due to regulatory requirements relating to the qualification of suppliers, we may not be able to establish additional or replacement sources on a timely basis or without excessive cost. The termination, reduction or interruption in supply of these sole-sourced raw materials and components could adversely impact our ability to manufacture and sell certain of our products.

**Interruption of our manufacturing operations could adversely affect our future revenues and operating income.**

We have manufacturing sites all over the world. In some instances, however, the manufacturing of certain of our product lines is concentrated in one or more of our plants. Damage to one or more of these facilities from weather or natural disasters, or issues in our manufacturing process, equipment failure or other factors, could adversely affect our ability to manufacture these products, resulting in lost revenues and damage to our relationships with customers.

**We are subject to lawsuits.**

We are or have been a defendant in a number of lawsuits, including purported class action lawsuits for alleged antitrust violations and suits alleging patent infringement, and could be subject to additional lawsuits in the future. A more detailed description of these lawsuits is contained in note 5 to the consolidated financial statements included in Item 8., Financial Statements and Supplementary Data. Given the uncertain nature of litigation generally, we are not able in all cases to estimate the amount or range of loss that could result from an unfavorable outcome of the litigation to which we are a party. In view of these uncertainties, we could incur charges in excess of any currently established accruals and, to the extent available, excess liability insurance. Any such future charges, individually or in the aggregate, could have a material adverse effect on our results of operations and cash flows.

**We are subject to extensive regulation.**

Our operations are global and are affected by complex state, federal and international laws relating to healthcare, environmental protection, antitrust, anti-corruption, fraud and abuse (including anti-kickback and false claims laws), export control, employment and other areas. Violations of these laws can result in criminal or civil sanctions, including substantial

finances and, in some cases, exclusion from participation in health care programs such as Medicare and Medicaid. Environmental laws, particularly with respect to the emission of greenhouse gases, are also becoming more stringent throughout the world, which may increase our costs of operations or necessitate changes in our manufacturing plants or processes or those of our suppliers, or result in liability to BD if we violate such laws. The enactment of additional laws in the future may increase our compliance costs or otherwise adversely impact our operations.

We are also subject to extensive regulation by the FDA pursuant to the Federal Food, Drug and Cosmetic Act, by comparable agencies in foreign countries, and by other regulatory agencies and governing bodies. Most of our products must receive clearance or approval from the FDA or counterpart regulatory agencies in other countries before they can be marketed or sold. The process for obtaining marketing approval or clearance may take a significant period of time and require the expenditure of substantial resources, and these have been increasing due to increased requirements from the FDA for supporting data for submissions. The process may also require changes to our products or result in limitations on the indicated uses of the products. Governmental agencies may also impose new requirements regarding registration, labeling or prohibited materials that may require us to modify or re-register products already on the market or otherwise impact our ability to market our products in those countries. Once clearance or approval has been obtained for a product, there is an obligation to ensure that all applicable FDA and other regulatory requirements continue to be met. Following the introduction of a product, these agencies also periodically review our manufacturing processes and product performance. Our failure to comply with the applicable good manufacturing practices, adverse event reporting, clinical trial and other requirements of these agencies could delay or prevent the production, marketing or sale of our products and result in fines, delays or suspensions of regulatory clearances, closure of manufacturing sites, seizures or recalls of products and damage to our reputation. More stringent oversight by the FDA and other agencies in recent years has resulted in increased enforcement activity, which increases the compliance risk for us and other companies in our industry.

As a result of the CareFusion acquisition, we are operating under a consent decree with the FDA that was entered into by CareFusion in 2009, that affects our infusion pump business in the United States. For more information regarding the consent decree, see “Regulation” under Item 1, “Business”.

**Product defects could adversely affect the results of our operations.**

The design, manufacture and marketing of medical devices involve certain inherent risks. Manufacturing or design defects, unapproved use of our products, or inadequate disclosure of risks or other information relating to the use of our products can lead to injury or other adverse events. These events could lead to recalls or safety alerts relating to our products (either voluntary or required by the FDA or similar governmental authorities in other countries), and could result, in certain cases, in the removal of a product from the market. A recall could result in significant costs and lost sales, as well as negative publicity and damage to our reputation that could reduce future demand for our products. Personal injuries relating to the use of our products can also result in significant product liability claims being brought against us. In some circumstances, such adverse events could also cause delays in regulatory approval of new products.

**Our operations are dependent in part on patents and other intellectual property assets.**

Many of our businesses rely on patent, trademark and other intellectual property assets. These intellectual property assets, in the aggregate, are of material importance to our business. We can lose the protection afforded by these intellectual property assets through patent expirations, legal challenges or governmental action. Patents attained by competitors, particularly as patents on our products expire, may also adversely affect our competitive position. In addition, competitors may seek to invalidate patents on our products or claim that our products infringe upon their intellectual property, which could result in a loss of competitive advantage or the payment of significant legal fees, damage awards and past or future royalties, as well as injunctions against future sales of our products. We also operate in countries that do not protect intellectual property rights to the same extent as in the U.S., which could make it easier for competitors to compete with us in those countries. The loss of a significant portion of our portfolio of intellectual property assets may have an adverse effect on our earnings, financial condition or cash flows.

**Natural disasters, war and other events could adversely affect our future revenues and operating income.**

Natural disasters (including pandemics), war, terrorism, labor disruptions and international conflicts, and actions taken by the United States and other governments or by our customers or suppliers in response to such events, could cause significant economic disruption and political and social instability in the United States and areas outside of the United States in which we operate. These events could result in decreased demand for our products, adversely affect our manufacturing and distribution capabilities, or increase the costs for or cause interruptions in the supply of materials from our suppliers.

**We need to attract and retain key employees to be competitive.**

Our ability to compete effectively depends upon our ability to attract and retain executives and other key employees, including people in technical, marketing, sales and research positions. Competition for experienced employees, particularly for

persons with specialized skills, can be intense. Our ability to recruit such talent will depend on a number of factors, including compensation and benefits, work location and work environment. If we cannot effectively recruit and retain qualified executives and employees, our business could be adversely affected.

### **Risks Relating To Our Acquisition of CareFusion**

#### **The integration process with CareFusion may be more difficult, costly or time consuming than expected and the anticipated benefits and cost savings of the merger may not be realized.**

The success of our acquisition of CareFusion, including anticipated benefits and cost savings, will depend, in part, on our ability to successfully combine and integrate our business with the business of CareFusion. It is possible that the integration process could result in the loss of key employees, higher than expected costs, diversion of management attention and resources, the disruption of ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the combined company's ability to maintain relationships with customers, vendors and employees or to achieve the anticipated benefits and cost savings of the merger. As part of the integration process, we intend to move assets within our combined company to create efficiencies and may seek to opportunistically divest certain assets of the combined company, which may change the profile of the combined company, and which may not be possible on favorable terms, or at all. If we experience difficulties with the integration process, the anticipated benefits of the merger may not be realized fully or at all, or may take longer to realize than expected. These integration matters could have an adverse effect on the combined company for an undetermined period going forward. In addition, the actual cost savings of the merger could be less than anticipated.

#### **In connection with the CareFusion transactions, we incurred and assumed significant additional indebtedness, which could adversely affect us, including by decreasing our business flexibility.**

We have substantially increased indebtedness following completion of the CareFusion acquisition in comparison to that of BD on a recent historical basis, which has increased our interest expense and could have the effect, among other things, of reducing our flexibility to respond to changing business and economic conditions. The amount of cash required to pay interest on our increased indebtedness following the merger, and thus the demands on our cash resources, is greater than the amount of cash flows required to service our indebtedness prior to the acquisition. Our increased levels of indebtedness could also reduce funds available for working capital, capital expenditures, acquisitions, funding research and development or future expansion of our business, and other general corporate purposes and may create competitive disadvantages for BD relative to other companies with lower debt levels. If we do not achieve the expected benefits and cost savings from the transaction, or if the financial performance of the combined company does not meet current expectations, then our ability to service this indebtedness may be adversely impacted.

Certain of the indebtedness incurred in connection with the acquisition bears interest at variable interest rates. If interest rates increase, variable rate debt will create higher debt service requirements, which could adversely affect our cash flows.

In addition, our credit ratings affect the cost and availability of future borrowings and, accordingly, our cost of capital. Our ratings reflect each rating organization's opinion of our financial strength, operating performance and ability to meet our debt obligations. Our ratings were downgraded in connection with the indebtedness incurred and assumed in the acquisition of CareFusion, and there can be no assurance that we will achieve a particular rating or maintain a particular rating in the future. Moreover, we may be required to raise substantial additional financing to fund working capital, capital expenditures, acquisitions or other general corporate requirements. Our ability to arrange additional financing or refinancing will depend on, among other factors, our financial position and performance, as well as prevailing market conditions and other factors beyond our control. There can be no assurance that we will be able to obtain additional financing or refinancing on terms acceptable to us or at all.

#### **The agreements that govern the indebtedness incurred or assumed in connection with the acquisition contain various covenants that impose restrictions on us and certain of our subsidiaries that may affect our ability to operate our businesses.**

The agreements that govern the indebtedness incurred or assumed in connection with the CareFusion transaction contain various affirmative and negative covenants that may, subject to certain significant exceptions, restrict our ability and the ability of certain of our subsidiaries (including CareFusion) to, among other things, have liens on their property, transact business with affiliates and/or merge or consolidate with any other person or sell or convey certain of our assets to any one person. In addition, some of the agreements that govern our indebtedness contain financial covenants that will require us to maintain certain financial ratios. Our ability and the ability of our subsidiaries to comply with these provisions may be affected by events beyond our control. Failure to comply with these covenants could result in an event of default, which, if not cured or waived, could accelerate our repayment obligations.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

BD's executive offices are located in Franklin Lakes, New Jersey. As of October 31, 2016, BD owned or leased 255 facilities throughout the world, comprising approximately 19,796,011 square feet of manufacturing, warehousing, administrative and research facilities. The U.S. facilities, including those in Puerto Rico, comprise approximately 7,459,856 square feet of owned and 2,923,257 square feet of leased space. The international facilities comprise approximately 7,189,652 square feet of owned and 2,223,245 square feet of leased space. Sales offices and distribution centers included in the total square footage are also located throughout the world.

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

Sites	Corporate	BD Life Sciences	BD Medical	Mixed(A)	Total
Leased	11	19	75	92	195
Owned	3	15	31	121	60
Total	14	34	106	103	255
Square feet	1,425,720	4,337,963	9,891,908	4,140,420	19,796,011

(A) Facilities used by more than one business segment.

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

The U.S. facilities are located in Alabama, Arizona, California, Connecticut, Florida, Georgia, Illinois, Indiana, Maryland, Massachusetts, Michigan, Nebraska, New Jersey, North Carolina, Ohio, Oklahoma, South Carolina, Texas, Utah, Virginia, Washington, D.C., Washington, Wisconsin and Puerto Rico.

The international facilities are as follows:

- *Europe, Middle East, Africa*, which includes facilities in Austria, Belgium, Bosnia and Herzegovina, the Czech Republic, Denmark, England, Finland, France, Germany, Ghana, Hungary, Ireland, Italy, Kenya, Luxembourg, Netherlands, Norway, Poland, Portugal, Russia, Saudi Arabia, South Africa, Spain, Sweden, Switzerland, Turkey, the United Arab Emirates and Zambia.

- *Greater Asia*, which includes facilities in Australia, Bangladesh, China, India, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Taiwan, Thailand and Vietnam.

- *Latin America*, which includes facilities in Argentina, Brazil, Chile, Colombia, Mexico, Peru and the Dominican Republic.

- *Canada*.

**Item 3. Legal Proceedings.**

Information with respect to certain legal proceedings is included in Note 5 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data, and is incorporated herein by reference.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Executive Officers of the Registrant**

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

<b>Name</b>	<b>Age</b>	<b>Position</b>
Vincent A. Forlenza	63	Chairman since July 2012; Chief Executive Officer since October 2011; President since January 2009; and Chief Operating Officer from July 2010 to October 2011.
Gary M. Cohen	57	Executive Vice President and President, Global Health.
Alexandre Conroy	53	Executive Vice President and President, Europe, EMA and the Americas since June 2012; and prior thereto, President, Western Europe.
James Lim	52	Executive Vice President and President, Greater Asia since June 2012; and prior thereto, Vice President/General Manager, Central Asia Pacific and Operations.
Alberto Mas	55	Executive Vice President and President - Life Sciences Segment since October 2016; Worldwide President - Life Sciences, Diagnostic Systems from October 2013 to October 2016; and Worldwide President - BD Biosciences from October 2011 to October 2013.
Thomas E. Polen	43	Executive Vice President and President - Medical Segment since October 2014; Group President from October 2013 to October 2014; and Worldwide President - BD Diagnostic Systems from October 2010 to October 2013.
Christopher R. Reidy	59	Executive Vice President, Chief Financial Officer and Chief Administrative Officer since July 2013; and prior thereto, Vice President and Chief Financial Officer of ADP Corporation.
Nabil Shabshab	51	Executive Vice President, Strategic Planning and Chief Marketing Officer.
Jeffrey S. Sherman	61	Executive Vice President and General Counsel.
Stephen Sichak	59	Executive Vice President, Integrated Supply Chain.
Ellen R. Strahlman, M.D.	59	Executive Vice President, Research and Development and Chief Medical Officer since April 2013; Senior Vice President, Office of the CEO and Global Head, Neglected Tropical Diseases of GlaxoSmithKline from March 2012 to May 2012, and prior thereto, Chief Medical Officer of GlaxoSmithKline plc.
Linda M. Tharby	48	Executive Vice President since October 2014 and Chief Human Resource Officer since October 2016; President - Life Sciences Segment from October 2014 to October 2016; Group President from October 2013 to October 2014; and prior thereto, Worldwide President - BD Medical, Diabetes Care.

**PART II**

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

BD's common stock is listed on the New York Stock Exchange. As of October 31, 2016, there were approximately 13,734 shareholders of record.

**Market and Market Prices of Common Stock (per common share)**

By Quarter	2015		2016	
	High	Low	High	Low
First	\$141.26	\$113.60	\$156.53	\$132.19
Second	\$149.50	\$138.08	\$152.54	\$132.88
Third	\$145.57	\$137.93	\$172.19	\$152.86
Fourth	\$153.86	\$130.40	\$181.55	\$169.64

**Dividends (per common share)**

By Quarter	2015	2016
First	\$ 0.600	\$ 0.660
Second	0.600	0.660
Third	0.600	0.660
Fourth	0.600	0.660

**Issuer Purchases of Equity Securities**

The table below sets forth certain information regarding BD's purchases of its common stock during the fiscal quarter ended September 30, 2016.

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs(2)
July 1-31, 2016	—	—	—	9,147,060
August 1-31, 2016	2,364	\$173.57	—	9,147,060
September 1-30, 2016	—	—	—	9,147,060
Total	2,364	\$173.57	—	9,147,060

- (1) Represents shares purchased during the quarter in open market transactions by the trust relating to BD's Deferred Compensation and Retirement Benefit Restoration Plan and 1996 Directors' Deferral Plan.
- (2) Any repurchases would be made pursuant to the repurchase program authorized by the Board of Directors on September 24, 2013 for 10 million shares, for which there is no expiration date.

**Item 6. Selected Financial Data.**

**FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA**

**Becton, Dickinson and Company**

	Years Ended September 30				
	2016	2015	2014	2013	2012
<b>Dollars in millions, except share and per share amounts</b>					
<b>Operations</b>					
Revenues	\$ 12,483	\$ 10,282	\$ 8,446	\$ 8,054	\$ 7,708
Gross Margin	5,991	4,695	4,301	4,171	3,953
Research and Development Expense	828	632	550	494	472
Operating Income	1,430	1,074	1,606	1,254	1,558
Interest Expense, Net	367	356	89	98	84
Income From Continuing Operations Before Income Taxes	1,074 (A)	739 (B)	1,522 (C)	1,165 (D)	1,472 (E)
Income Tax Provision	97	44	337	236	363
Income from Continuing Operations	976 (A)	695 (B)	1,185 (C)	929 (D)	1,110 (E)
Net Income	976	695	1,185	1,293	1,170
Basic Earnings Per Share from Continuing Operations	4.59	3.43	6.13	4.76	5.40
Diluted Earnings Per Share from Continuing Operations	4.49 (A)	3.35 (B)	5.99 (C)	4.67 (D)	5.30 (E)
Dividends Per Common Share	2.64	2.40	2.18	1.98	1.80
<b>Financial Position</b>					
Total Current Assets	\$ 6,367	\$ 5,659	\$ 5,775	\$ 5,530	\$ 5,144
Total Current Liabilities	4,400	4,381	2,225	2,122	1,974
Total PPE, Net	3,901	4,060	3,605	3,476	3,304
Total Assets	25,586	26,478	12,384	12,029	11,376
Total Long-Term Debt	10,550	11,370	3,768	3,763	3,761
Total Shareholders' Equity	7,633	7,164	5,053	5,043	4,136
Book Value Per Common Share	35.79	34.00	26.33	25.99	21.00
<b>Financial Relationships</b>					
Gross Profit Margin	48.0%	45.7%	50.9%	51.8%	51.3%
Return on Revenues	7.8%	6.8%	14.0%	11.5% (F)	14.4% (F)
Return on Total Assets(G)	5.6%	5.7%	13.6%	11.1% (F)	14.7% (F)
Return on Equity	13.2%	11.4%	23.5%	20.2% (F)	24.8% (F)
Debt to Capitalization(H)	57.2%	59.4%	43.6%	43.6% (F)	49.6% (F)
<b>Additional Data</b>					
Number of Employees	50,900	49,500	30,600	30,000	29,600
Number of Shareholders	13,788	14,547	8,210	8,412	8,696
Average Common and Common Equivalent Shares Outstanding — Assuming Dilution (millions)	217.5	207.5	197.7	199.2	209.2
Depreciation and Amortization	\$ 1,114	\$ 891	\$ 562	\$ 546	\$ 511
Capital Expenditures	693	596	592	522	487

Refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for additional discussion regarding the specified items referenced in notes (A) through (D) below.

- (A) Includes the impact of specified items totaling \$1.261 billion (\$892 million after-tax), or \$4.10 diluted earnings per share from continuing operations, which affects comparisons of results across periods presented.

- (B) Includes the impact of specified items totaling \$1.186 billion (\$786 million after-tax), or \$3.79 diluted earnings per share from continuing operations, which affects comparisons of results across periods presented.
- (C) Includes the impact of specified items totaling \$153 million (\$101 million after-tax), or \$0.51 diluted earnings per share from continuing operations, which affects comparisons of results across periods presented.
- (D) Includes the impact of specified items totaling \$442 million (\$279 million after-tax), or \$1.40 diluted earnings per share from continuing operations, which affects comparisons of results across periods presented.
- (E) There were no amounts reflected in the results of operations for the period which would significantly affect the comparisons of results across periods presented.
- (F) Excludes discontinued operations.
- (G) Earnings before interest expense and taxes as a percent of average total assets.
- (H) Total debt as a percent of the sum of total debt, shareholders' equity and non-current deferred income tax liabilities.

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

The following commentary should be read in conjunction with the consolidated financial statements and accompanying notes. Within the tables presented throughout this discussion, certain columns may not add due to the use of rounded numbers for disclosure purposes. Percentages and earnings per share amounts presented are calculated from the underlying amounts. References to years throughout this discussion relate to our fiscal years, which end on September 30.

#### **Company Overview**

##### *Description of the Company and Business Segments*

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

BD's products are manufactured and sold worldwide. Our products are marketed in the United States and internationally through independent distribution channels and directly to end-users by BD and independent sales representatives. We organize our operations outside the United States as follows: Europe; EMA (which includes the Commonwealth of Independent States, the Middle East and Africa); Greater Asia (which includes Japan and Asia Pacific); Latin America (which includes Mexico, Central America, the Caribbean, and South America); and Canada. We continue to pursue growth opportunities in emerging markets, which include the following geographic regions: Eastern Europe, the Middle East, Africa, Latin America and certain countries within Asia Pacific. We are primarily focused on certain countries whose healthcare systems are expanding, in particular, China and India.

##### *Strategic Objectives*

BD remains focused on delivering sustainable growth and shareholder value, while making appropriate investments for the future. BD management operates the business consistent with the following core strategies:

- To increase revenue growth by focusing on our core products, services and solutions that deliver greater benefits to patients, healthcare workers and researchers;
- To continue investment in research and development for platform extensions and innovative new products;
- To make investments in growing our operations in emerging markets;
- To improve operating effectiveness and balance sheet productivity;
- To drive an efficient capital structure and strong shareholder returns.

Our strategy focuses on four specific areas within healthcare and life sciences:

- Enabling safer, simpler and more effective parenteral drug delivery;
- Improving clinical outcomes through new, more accurate and faster diagnostics;
- Providing tools and technologies to the research community that facilitate the understanding of the cell, cellular diagnostics and cell therapy;
- Enhancing disease management in diabetes, women's health and cancer, and infection control.

We continue to strive to improve the efficiency of our capital structure and follow these guiding principles:

- To maintain an investment grade rating;
- To ensure access to the debt market for strategic opportunities;
- To optimize the cost of capital based on market conditions.

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

#### ***Acquisition of CareFusion***

On March 17, 2015, BD acquired a 100% interest in CareFusion Corporation ("CareFusion"). CareFusion's operating results were included in BD's consolidated results of operations beginning on April 1, 2015 and as such, the consolidated results of operations for the first six months of fiscal year 2015 referenced in the commentary provided further below did not include CareFusion's results. CareFusion operates as part of our Medical segment.

#### ***Summary of Financial Results***

Worldwide revenues in 2016 of \$12.483 billion increased 21.4% from the prior year, compared with an increase of 21.7% in 2015. Revenue growth in 2016 largely reflected the impact from the inclusion of CareFusion's sales in the Company's results for a full fiscal year in 2016 as compared with only half the fiscal year in 2015, as discussed above. Revenues in 2016 also reflected volume growth of approximately 4.2%, which included an unfavorable impact from the termination of a distribution agreement in the Respiratory Solutions unit. Revenue growth in 2016 additionally reflected an unfavorable foreign currency translation impact of approximately 3.1% and a relatively immaterial favorable impact from price. Revenue growth in 2015 reflected a 24.1% impact from the inclusion of CareFusion's sales in the Company's results from April 1, 2015, as discussed above, as well as volume growth of 5.1% and unfavorable foreign currency translation of 7.5%.

Volume growth in 2016 reflected the following:

- Medical segment volume growth was driven by the Medication and Procedural Solutions unit's international sales of safety-engineered products, the Diabetes Care unit's sales of pen needles and the Pharmaceutical Systems unit's sales of self-injection systems. Fiscal year 2016 revenues in the Respiratory Solutions unit were unfavorably impacted by the termination of a distribution contract, as noted above.
- Life Sciences segment volume growth was driven by the Preanalytical Systems unit's global sales of safety-engineered products, the Diagnostic Systems unit's sales of automated platforms and the Biosciences unit's U.S. sales of research instrument and reagent sales. The Biosciences unit's international fiscal year 2016 revenues were unfavorably impacted by pressure on sales of HIV-related clinical products in Africa.
- U.S. Medical segment volume growth in 2016 primarily reflected the sales of infusion disposables and self-injection systems. U.S. Life Sciences segment volume growth in 2016 was driven by sales of safety-engineered products, microbiology platforms, molecular diagnostic platforms, and research reagents, as well as by research instrument placements.
- The Medical segment's international volume growth in 2016 was driven by sales of safety-engineered and flush products. The Life Sciences segment's international volume growth in 2016 was driven by sales of safety-engineered products, microbiology and Women's Health and Cancer platforms, but was negatively impacted by pressure on HIV-related clinical products in Africa, as noted above.
- Worldwide sales of safety-engineered products reflected volume growth that was attributable to both segments. Fiscal year 2016 sales in the United States of safety-engineered devices of \$1.805 billion increased 22.8% and fiscal year 2016 international sales of safety-engineered devices of \$1.231 billion grew 9.3% over the prior year's period, inclusive of an estimated 7.5% unfavorable impact due to foreign currency translation.

We continue to invest in research and development, geographic expansion, and new product promotions to drive further revenue and profit growth. Our ability to sustain our long-term growth will depend on a number of factors, including our ability to expand our core business (including geographical expansion), develop innovative new products, and continue to improve operating efficiency and organizational effectiveness. While the economic environment for the healthcare industry has stabilized, pricing pressures continue for some of our products. Healthcare utilization has stabilized and slightly improved in the United States; however, any destabilization in the future could adversely impact our U.S. businesses. Additionally, macroeconomic challenges in Europe continue to constrain healthcare utilization, although we currently view the environment as stable. In emerging markets, the Company's growth is dependent primarily on government funding for healthcare systems.

Our financial position remains strong, with cash flows from operating activities totaling \$2.559 billion in 2016. At September 30, 2016, we had \$1.6 billion in cash and equivalents and short-term investments. We continued to return value to our shareholders in the form of dividends. During fiscal year 2016, we paid cash dividends of \$562 million. No shares were repurchased during fiscal year 2016.

Each reporting period, we face currency exposure that arises from translating the results of our worldwide operations to the U.S. dollar at exchange rates that fluctuate from the beginning of such period. The ongoing relative strength of the U.S. dollar resulted in an unfavorable foreign currency translation impact to our revenue growth during the fiscal year. We evaluate our results of operations on both a reported and a foreign currency-neutral basis, which excludes the impact of fluctuations in foreign currency exchange rates. As exchange rates are an important factor in understanding period-to-period comparisons, we believe the presentation of results on a foreign currency-neutral basis in addition to reported results helps improve investors' ability to understand our operating results and evaluate our performance in comparison to prior periods. Foreign currency-neutral ("FXN") information compares results between periods as if exchange rates had remained constant period-over-period. We use results on a foreign currency-neutral basis as one measure to evaluate our performance. We calculate foreign currency-neutral percentages by converting our current-period local currency financial results using the prior-period foreign currency exchange rates and comparing these adjusted amounts to our current-period results. These results should be considered in addition to, not as a substitute for, results reported in accordance with U.S. generally accepted accounting principles ("GAAP"). Results on a foreign currency-neutral basis, as we present them, may not be comparable to similarly titled measures used by other companies and are not measures of performance presented in accordance with U.S. GAAP.

## Results of Operations

### Medical Segment

The following is a summary of Medical revenues by organizational unit:

(Millions of dollars)				2016 vs. 2015 (A)			2015 vs. 2014 (A)		
	2016	2015	2014	Total Change	Estimated FX Impact	FXN Change	Total Change	Estimated FX Impact	FXN Change
Medication and Procedural Solutions	\$ 3,413	\$ 2,850	\$ 2,307	19.8 %	(3.6)%	23.4 %	23.5 %	(6.4)%	29.9%
Medication Management Solutions	2,210	1,033	—	NM	NM	NM	NM	NM	NM
Diabetes Care	1,023	1,012	1,037	1.1 %	(3.3)%	4.4 %	(2.4)%	(6.7)%	4.3%
Pharmaceutical Systems	1,199	1,167	1,229	2.7 %	(2.4)%	5.1 %	(5.0)%	(10.1)%	5.1%
Respiratory Solutions	824	419	—	96.8 %	(2.3)%	99.1 %	NM	NM	NM
Deferred revenue adjustment (B)	(14)	(20)	—	(29.3)%	— %	(29.3)%	NM	NM	NM
<b>Total Medical revenues</b>	<b>\$ 8,654</b>	<b>\$ 6,460</b>	<b>\$ 4,573</b>	<b>34.0 %</b>	<b>(3.0)%</b>	<b>37.0 %</b>	<b>41.3 %</b>	<b>(8.5)%</b>	<b>49.8%</b>
Medical segment safety-engineered products	\$ 1,924	\$ 1,499	\$ 1,119	28.3 %	(2.9)%	31.2 %	34.0 %	(6.6)%	40.6%

(A) "NM" denotes that the percentage is not meaningful.

(B) In accordance with U.S. GAAP business combination accounting rules, CareFusion's deferred revenue balance was written down to reflect a fair value measurement as of the acquisition date. The deferred revenue adjustment represents the amortization of this write-down which primarily relates to software maintenance contracts in the United States. Revenues for these contracts is typically deferred and recognized over the term of the contracts.

Overall Medical segment revenue growth in 2016 largely reflected the inclusion of CareFusion's sales for a full fiscal year in 2016 compared with half the fiscal year in 2015, as previously discussed. Medical segment revenue growth in 2016 additionally reflected the Medication and Procedural Solutions unit's international sales of safety-engineered products, the Diabetes Care unit's sales of pen needles and the Pharmaceutical Systems unit's sales of self-injection systems. Fiscal year 2016 Medical segment revenue growth was unfavorably impacted by the termination of a distribution contract, as previously discussed, in the Respiratory Solutions unit.

Overall Medical segment growth in 2015 reflected the inclusion of CareFusion's sales for the second half of the fiscal year. Medical segment growth in 2015 additionally reflected the Medication and Procedural Solutions unit's international sales of

safety-engineered products, the Diabetes Care unit's sales of pen needles as well as international sales of safety-engineered products and favorable timing of ordering patterns in the Pharmaceutical Systems unit.

Medical segment operating income was as follows:

<u>(Millions of dollars)</u>	2016	2015	2014
Medical segment operating income	\$ 2,052	\$ 1,530	\$ 1,291
<i>Segment operating income as % of Medical revenues</i>	23.7%	23.7%	28.2%

The Medical segment's operating income is driven by its performance with respect to gross profit margin and operating expenses. The Medical segment's gross profit margin in 2016 was slightly higher as compared with 2015 primarily due to lower manufacturing costs resulting from continuous operations improvement projects which improved the efficiency of our operations, partially offset by the recognition of a full year of amortization relating to intangible assets acquired in the CareFusion transaction and by unfavorable foreign currency translation. The Medical segment's gross profit margin as a percentage of revenues was lower in 2015 as compared with 2014 primarily due to the amortization of intangible assets acquired in the CareFusion transaction and the amortization of the acquisition-date write-down of CareFusion's deferred revenue balance, as previously discussed. These unfavorable impacts on gross margin in 2015 were partially offset primarily by lower manufacturing costs resulting from continuous improvement projects. Selling and administrative expense in 2016 as a percentage of Medical revenues primarily reflected the suspension of the medical device excise tax imposed under the U.S. Patient Protection Affordable Care Act. Selling and administrative expense as a percentage of revenues in 2015 primarily reflected the inclusion of CareFusion's spending, as well as depreciation of fixed assets acquired in the CareFusion acquisition, in the second half of 2015 results. Research and development expenses in 2016 increased \$172 million, or 63% from 2015, which reflected the inclusion of CareFusion spending for a full fiscal year, as well as increased investment in new products and platforms. Research and development expenses in 2015 increased \$85 million, or 46% from 2014, primarily due to the inclusion of CareFusion's costs in the second half of 2015 results.

### **Life Sciences Segment**

The following is a summary of Life Sciences revenues by organizational unit:

<u>(Millions of dollars)</u>				2016 vs. 2015			2015 vs. 2014		
	2016	2015	2014	Total Change	Estimated FX Impact	FXN Change	Total Change	Estimated FX Impact	FXN Change
Preanalytical Systems	\$ 1,409	\$ 1,391	\$ 1,412	1.3 %	(3.9)%	5.2%	(1.5)%	(6.4)%	4.9%
Diagnostic Systems	1,301	1,299	1,301	0.1 %	(3.2)%	3.3%	(0.2)%	(6.5)%	6.3%
Biosciences	1,119	1,132	1,159	(1.2)%	(2.7)%	1.5%	(2.4)%	(6.0)%	3.6%
Total Life Sciences revenues	\$ 3,829	\$ 3,822	\$ 3,872	0.2 %	(3.2)%	3.4%	(1.3)%	(6.3)%	5.0%
Life Sciences segment safety-engineered products	\$ 1,113	\$ 1,097	\$ 1,104	1.4 %	(3.7)%	5.1%	(0.7)%	(6.3)%	5.6%

The Life Sciences segment's 2016 revenue growth was driven by the Preanalytical Systems unit's U.S. and international sales of safety-engineered products. Segment revenue growth in 2016 also reflected the Diagnostic Systems unit's sales of automated platforms, including *BD Kiestra*<sup>™</sup>, *BD MAX*<sup>™</sup>, and *BD BACTEC*<sup>™</sup> blood culture systems as well as *SurePath*<sup>™</sup> reagents. Fiscal year 2016 revenues in the Life Sciences segment additionally reflected the Biosciences unit's research instrument and reagent sales, primarily in the United States, which were partially offset by pressure on sales of the Biosciences unit's HIV-related clinical products in Africa, as previously discussed.

The Life Sciences segment's 2015 revenue growth was driven by the Preanalytical Systems unit's international sales of safety-engineered products as well as by the Diagnostic Systems unit's worldwide sales of its *BD Veritor*<sup>™</sup> platform, due to a stronger than normal influenza season, and its automated platforms, including *BD Kiestra*<sup>™</sup>, *BD MAX*<sup>™</sup>, and *BD BACTEC*<sup>™</sup> blood culture systems. This growth was partially offset by share losses related to the Diagnostic Systems unit's *BD ProbeTec*<sup>™</sup> and *BD Viper*<sup>™</sup> systems. The Life Sciences segment's revenue growth in 2015 also reflected the Biosciences unit's research instrument and reagent sales in the United States, partially offset by weaker international sales due to lower levels of research funding in Japan.

Life Sciences segment operating income was as follows:

<u>(Millions of dollars)</u>	2016		2015		2014	
Life Sciences segment operating income	\$	793	\$	839	\$	861
<i>Segment operating income as % of Life Sciences revenues</i>		<i>20.7%</i>		<i>21.9%</i>		<i>22.2%</i>

The Life Sciences segment's operating income is driven by its performance with respect to gross profit margin and operating expenses. The Life Sciences segment's gross profit margin as a percentage of revenues was lower in fiscal year 2016 primarily due to unfavorable foreign currency translation, partially offset by lower manufacturing costs resulting from operations improvement projects which improved the efficiency of our operations. The Life Sciences segment's gross profit margin as a percentage of revenues was lower in fiscal year 2015 compared with 2014 primarily due to unfavorable foreign currency translation, as well as various immaterial items. Selling and administrative expense as a percentage of Life Sciences revenues in 2016 was also lower compared to 2015 primarily due to the suspension of the medical device excise tax. Selling and administrative expense as a percentage of Life Sciences revenues decreased in 2015 compared with 2014, which reflected a charge to terminate a distributor arrangement. Research and development expense in 2016 increased by \$14 million, or 5% above spending in 2015, which reflected increased investment in new products and platforms. Research and development expense in 2015 was flat compared with research and development expense in 2014. Research and development expense in 2015 reflected increased investment in new products and platforms, including the *BD Viper™* and *BD Max™* platforms, and increased spending relating to acquisitions completed in 2015, which was offset by the prior-year impact of a \$20 million asset write-off and costs associated with workforce reduction actions.

#### **Geographic Revenues**

BD's worldwide revenues by geography are provided below.

<u>(Millions of dollars)</u>				2016 vs. 2015			2015 vs. 2014		
	2016	2015	2014	Total Change	Estimated FX Impact	FXN Change	Total Change	Estimated FX Impact	FXN Change
United States	\$ 6,893	\$ 5,069	\$ 3,417	36.0%	—	36.0%	48.4%	—	48.4%
International	5,590	5,213	5,029	7.2%	(6.2)%	13.4%	3.6%	(12.6)%	16.2%
Total revenues	<u>\$ 12,483</u>	<u>\$ 10,282</u>	<u>\$ 8,446</u>	<u>21.4%</u>	<u>(3.1)%</u>	<u>24.5%</u>	<u>21.7%</u>	<u>(7.5)%</u>	<u>29.2%</u>

The Medical segment's U.S. revenue growth in 2016 primarily reflected the inclusion of CareFusion's U.S. sales for the full fiscal year. U.S. Medical segment revenues also reflected growth in sales of the segment's legacy products, particularly the Medication and Procedural Solutions unit's infusion disposables and the Pharmaceutical Systems unit's self-injection systems. U.S. Life Sciences revenue growth in 2016 was driven by sales of the Preanalytical Systems unit's safety-engineered products and the Diagnostic Systems unit's microbiology and molecular diagnostic platforms, as well as by research instrument placements and research reagent sales in the Biosciences unit. U.S. Life Sciences growth in 2016 was partially offset by a milder influenza season in 2016 as compared to 2015.

The Medical segment's U.S. revenue growth in 2015 reflected the inclusion of CareFusion's U.S. sales of approximately \$1.5 billion in results for the second half of 2015, as well as overall strength in the segment's legacy product portfolio, which was particularly driven by sales of infusion disposables and safety-engineered products. U.S. Life Sciences revenue growth in 2015 benefited from a stronger than normal influenza season, as discussed previously, and growth in the Biosciences unit's research reagents and instrument placements, reflecting a favorable funding environment in the U.S. market. U.S. Life Sciences growth in 2015 was unfavorably impacted by share losses related to the *BD ProbeTec™* and *BD Viper™* systems.

The Medical segment's international revenue growth in 2016 was driven by the inclusion of CareFusion's sales for the full fiscal year, as well as by sales of the Medication and Procedural Solutions unit's safety-engineered products and flush products. The Life Sciences segment's fiscal year 2016 revenue growth was driven by the Preanalytical Systems unit's sales of safety-engineered products primarily in Western Europe and Asia Pacific, as well as by the Diagnostic Systems unit's sales of microbiology and Women's Health and Cancer platforms in Western Europe and Latin America. The Biosciences unit 2016 international revenue growth was negatively impacted by the pressure on sales of HIV-related clinical products in Africa.

International Medical segment revenue growth in 2015 reflected the inclusion of CareFusion's sales in results for the second half of 2015, as well as growth of sales in emerging markets and sales of safety-engineered products in the Medication and Procedural Solutions and Pharmaceutical Systems units. The Medical segment's international revenue growth in 2015 additionally reflected sales of flush products as well as sales of pen needles in the Diabetes Care unit. International Life Sciences revenue growth in 2015 was largely driven by growth in emerging markets as well as by sales of safety-engineered

products. International Life Sciences revenue growth in 2015 also benefited from growth in sales of microbiology products, including lab automation products, but was partially offset by weaker Biosciences unit sales primarily due to lower levels of research funding in Japan.

Effective October 1, 2015, we changed the composition of countries that we define as emerging markets within the Asia Pacific region. On this redefined basis, emerging market revenues were \$1.9 billion, \$1.8 billion and \$1.7 billion in 2016, 2015 and 2014, respectively. Unfavorable foreign currency translation impacted emerging market revenues in 2016 and 2015 by an estimated \$156 million and \$142 million, respectively. Emerging market revenue growth in 2016 reflected the inclusion of CareFusion's sales for the full fiscal year, as well as growth in China and Latin America, partially offset by declines in the Middle East and Africa. Emerging market revenues in 2015 primarily reflected the inclusion of CareFusion's revenues in the second half of 2015.

**Specified Items**

Reflected in the financial results for 2016, 2015 and 2014 were the following specified items:

<b>(Millions of dollars)</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Financing costs <sup>(A)</sup>	\$ —	\$ 107	\$ —
Transaction costs <sup>(A)</sup>	10	59	6
Integration costs <sup>(A)</sup>	192	95	—
Restructuring costs <sup>(A)</sup>	526	271	—
Purchase accounting <sup>(B)</sup>	527	645	74
Research and development charges <sup>(C)</sup>	—	—	26
Pension settlement charges	6	—	3
Other, net <sup>(D)</sup>	—	7	44
<b>Total specified items</b>	<b>1,261</b>	<b>1,186</b>	<b>153</b>
Tax impact of specified items	369	400	52
<b>After-tax impact of specified items</b>	<b>\$ 892</b>	<b>\$ 786</b>	<b>\$ 101</b>

- (A) Represents financing, transaction, integration and restructuring costs substantially associated with the CareFusion acquisition and portfolio rationalization. The financing costs were recorded in *Interest expense*. The transaction, integration and restructuring costs were recorded in *Acquisitions and other restructurings*. For further discussion of these charges, refer to Notes 1, 7, 8, 9, 10 and 11 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data.
- (B) Primarily represents non-cash amortization expense associated with acquisition-related identifiable intangible assets. BD's amortization expense is primarily recorded in *Cost of products sold*. Amortization and depreciation expense relating to assets acquired in the CareFusion transaction was \$492 million in 2016 compared with \$284 million in 2015. The adjustments in 2016 also included a net decrease in the fair value of certain contingent consideration liabilities of \$25 million. The adjustments in 2015 included a fair value step-up adjustment of \$293 million recorded relative to CareFusion's inventory on the acquisition date and a pre-tax acquisition-date accounting gain of \$9 million on a previously held investment.
- (C) Represents charges incurred in 2014 by the Medical and Life Sciences segments of \$6 million and \$20 million, respectively, in connection with the segments' terminations of certain development programs.
- (D) The amount in 2015 represents a charge for plaintiff attorneys' fees, recorded in *Selling and administrative expense* associated with the antitrust and false advertising lawsuit Retractable Technologies, Inc. filed against BD, partially offset by an adjustment to reduce a liability for employee termination costs recorded relative to workforce reduction actions taken in the fourth quarter of fiscal year 2014. The amount in 2014 primarily represented the \$36 million charge recorded relative to workforce reduction actions. For further discussion of these charges, refer to Notes 5 and 8 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data.

**Gross Profit Margin**

The comparison of gross profit margins in 2016 and 2015 and the comparison of gross profit margins in 2015 and 2014 reflected the following impacts:

	2016	2015
<b>Gross profit margin % prior-year period</b>	45.7 %	50.9 %
CareFusion acquisition-related asset depreciation and amortization	0.6 %	(5.5) %
Operating performance	2.5 %	0.8 %
Foreign currency translation	(0.8) %	(0.5) %
<b>Gross profit margin % current-year period</b>	<b>48.0 %</b>	<b>45.7 %</b>

Gross profit margin in 2016 benefited from a favorable comparison to 2015, which reflected the fair value step-up adjustment recorded relative to CareFusion's inventory on the acquisition date, as previously discussed, partially offset by the recognition in 2016 of a full year of amortization relating to CareFusion's intangible assets. The operating performance impacts in 2016 and 2015 primarily reflected lower manufacturing costs resulting from continuous operations improvement projects which improved the efficiency of our operations.

**Operating Expenses**

Operating expenses in 2016, 2015 and 2014 were as follows:

<u>(Millions of dollars)</u>	2016	2015	2014	Increase (decrease) in basis points	
				2016 vs. 2015	2015 vs. 2014
Selling and administrative expense	\$ 3,005	\$ 2,563	\$ 2,145		
% of revenues	24.1%	24.9%	25.4%	(80)	(50)
Research and development expense	\$ 828	\$ 632	\$ 550		
% of revenues	6.6%	6.1%	6.5%	50	(40)
Acquisitions and other restructurings	\$ 728	\$ 426	\$ —		

Selling and administrative

Selling and administrative expense as a percentage of revenues in 2016 reflected synergies resulting from the CareFusion acquisition, as well as favorable foreign currency translation and a suspension of the medical device excise tax, as previously discussed. Selling and administrative expense as a percentage of revenues in 2016 was unfavorably impacted by higher selling expenses relating to product launches and higher shipping expenses. Selling and administrative expense as a percentage of revenues in 2015 reflected favorable foreign currency translation, partially offset by the impacts of increased spending relating to the expansion of our business in emerging markets, a charge relating to the RTI litigation matter, as previously discussed, as well as depreciation of fixed assets acquired in the CareFusion acquisition.

Research and development

Research and development expense in 2016 reflected the inclusion of CareFusion's research and development expenses in the Company's results for the full fiscal year 2016 and increased investment in high growth opportunities. Research and development expense in 2015 reflected the inclusion of CareFusion's research and development expenses in the results for the second half of fiscal year 2015. Research and development expense as a percentage of revenues in 2015 was lower in comparison to 2014, which included a workforce reduction charge, asset write-offs and program termination charges as well as ongoing investment in new products and platforms within the Medical segment.

Acquisitions and other restructurings

Costs relating to acquisitions and other restructurings represented transaction, integration and restructuring costs substantially associated with the CareFusion acquisition and portfolio rationalization. The transaction and integration costs specifically included advisory, legal, and other costs substantially incurred in connection with the CareFusion acquisition. Restructuring costs in 2016 included a \$214 million charge recorded to impair capitalized internal-use software assets held for sale as a result of the information technology function transformation efforts. For further disclosures regarding the costs relating

to acquisitions and other restructurings, refer to Notes 1, 7, 8, 9, 10 and 11 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data.

#### Net Interest Expense

(Millions of dollars)	2016	2015	2014
Interest expense	\$ (388)	\$ (371)	\$ (135)
Interest income	21	15	46
Net interest expense	\$ (367)	\$ (356)	\$ (89)

The increase in interest expense in 2016 reflected a full year of increased financing costs associated with the CareFusion acquisition, including interest on \$6.2 billion of senior unsecured notes issued in December 2014, in anticipation of closing the CareFusion acquisition. This increase in financing costs was partially offset by the full year impact of favorable amortization of the acquisition-date fair value step-up on CareFusion's long-term debt as well as by the prior-year impact of commitment fees incurred for a bridge loan facility that was terminated in March 2015. The increase in interest expense in 2015 compared with 2014 primarily reflected interest associated with the \$6.2 billion of senior unsecured notes and the commitment fees for the bridge loan facility, as discussed above. These increases in interest expense in fiscal year 2015 were partially offset by favorable amortization of the fair value step-up recorded on CareFusion's long-term debt beginning on April 1, 2015. Additional disclosures regarding these financing arrangements and our debt instruments are provided in Note 15 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data.

The increase in interest income in 2016 reflected the realization of investment gains on assets related to our deferred compensation plans, compared with the realization of losses in 2015, partially offset by lower cash levels outside of the United States. The offsetting movements in the deferred compensation plan liability were recorded in *selling and administrative expense*. The decrease in interest income in 2015 compared with 2014 reflected lower cash levels outside of the United States as well as investment losses on assets related to our deferred compensation plan.

#### Income Taxes

The income tax rates in 2016, 2015 and 2014 were as follows:

	2016	2015	2014
Effective income tax rate	9.1%	5.9%	22.1%

The increase in the effective income tax rate from 2015 to 2016 is primarily due to the decrease in tax benefits on specified items. The tax benefits of the specified items shown earlier reduced the income tax rates in 2016 and 2015 by 1,090 and 1,720 basis points, respectively, as the tax benefits on these specified items were primarily incurred in higher tax jurisdictions. The income tax rates in fiscal years 2016 and 2015 also reflected the extension of the U.S. research and development income tax credit, which was partially offset by the unfavorable impact of one-time discrete items. The effective income tax rate in 2014 reflected our decision to change our position of permanent reinvestment with respect to the unremitted earnings of Brazil and certain other Latin American jurisdictions, the impact of which was more than offset by the benefits resulting from discrete one-time items and geographic mix.

#### Net Income and Diluted Earnings per Share

Net Income and Diluted Earnings per Share in 2016, 2015 and 2014 were as follows:

	2016	2015	2014
Net income (Millions of dollars)	\$ 976	\$ 695	\$ 1,185
Diluted Earnings per Share	\$ 4.49	\$ 3.35	\$ 5.99
Unfavorable impact-specified items	\$ (4.10)	\$ (3.79)	\$ (0.51)
Unfavorable impact-foreign currency translation	\$ (0.64)	\$ (0.69)	\$ (0.22)
Dilutive impact from shares issued as consideration for the CareFusion acquisition (prior to the inclusion of CareFusion in consolidated results of operations)	\$ —	\$ (0.02)	\$ —

**Financial Instrument Market Risk**

We selectively use financial instruments to manage market risk, primarily foreign currency exchange risk and interest rate risk relating to our ongoing business operations. The counterparties to these contracts are highly rated financial institutions. We do not enter into financial instruments for trading or speculative purposes.

**Foreign Exchange Risk**

BD and its subsidiaries transact business in various foreign currencies throughout Europe, Greater Asia, Canada and Latin America. We face foreign currency exposure from the effect of fluctuating exchange rates on payables and receivables relating to transactions that are denominated in currencies other than our functional currency. These payables and receivables primarily arise from intercompany transactions. We hedge substantially all such exposures, primarily through the use of forward contracts. We also face currency exposure that arises from translating the results of our worldwide operations, including sales, to the U.S. dollar at exchange rates that have fluctuated from the beginning of a reporting period. From time to time, we may purchase forward contracts and options to hedge certain forecasted transactions that are denominated in foreign currencies in order to partially protect against a reduction in the value of future earnings resulting from adverse foreign exchange rate movements. Gains or losses on derivative instruments are largely offset by the gains or losses on the underlying hedged transactions. We did not enter into contracts to hedge cash flows against foreign currency fluctuations in fiscal year 2016 or 2015.

Derivative financial instruments are recorded on our balance sheet at fair value. For foreign currency derivatives, market risk is determined by calculating the impact on fair value of an assumed change in foreign exchange rates relative to the U.S. dollar. Fair values were estimated based upon observable inputs, specifically spot currency rates and foreign currency prices for similar assets and liabilities.

With respect to the foreign currency derivative instruments outstanding at September 30, 2016 and 2015, the impact changes in the U.S. dollar would have on pre-tax earnings was estimated as follows:

<u>(Millions of dollars)</u>	Increase (decrease)	
	2016	2015
10% appreciation in U.S. dollar	\$ (67)	\$ (28)
10% depreciation in U.S. dollar	\$ 67	\$ 28

These calculations do not reflect the impact of exchange gains or losses on the underlying transactions that would substantially offset the results of the derivative instruments.

**Interest Rate Risk**

Our primary interest rate risk relates to U.S. dollar borrowings which are partially offset by U.S. dollar cash investments. When managing interest rate exposures, we strive to achieve an appropriate balance between fixed and floating rate instruments. We may enter into interest rate swaps to help maintain this balance and manage debt and interest-bearing investments in tandem, since these items have an offsetting impact on interest rate exposure. For interest rate derivative instruments, fair values are measured based upon the present value of expected future cash flows using market-based observable inputs including credit risk and interest rate yield curves. Market risk for these instruments is determined by calculating the impact to fair value of an assumed change in interest rates across all maturities.

With respect to the interest rate derivatives outstanding at September 30, 2016 and 2015, the impact changes in the interest rate would have on the fair value of these derivatives was estimated as follows:

<u>(Millions of dollars)</u>	Increase (decrease)	
	2016	2015
10% increase in interest rates	\$ 5	\$ (3)
10% decrease in interest rates	\$ (5)	\$ 3

Based on our overall interest rate exposure at September 30, 2016 and 2015, a 10% change in interest rates would not have a material effect on our earnings or cash flows over a one-year period.

**Liquidity and Capital Resources**

The following table summarizes our consolidated statement of cash flows in 2016, 2015 and 2014:

<u>(Millions of dollars)</u>	2016	2015	2014
Net cash provided by (used for)			
Operating activities	\$ 2,559	\$ 1,730	\$ 1,746
Investing activities	\$ (669)	\$ (8,318)	\$ (948)
Financing activities	\$ (1,761)	\$ 6,190	\$ (807)

***Net Cash Flows from Operating Activities***

The fiscal year 2016, 2015 and 2014 changes in net cash provided by operating activities was primarily attributable to net income, as adjusted for depreciation and amortization and other non-cash items. The fiscal year 2016 change in operating assets and liabilities was a net source of cash and primarily reflected higher levels of accounts payable and accrued expenses as well as lower levels of inventory, prepayments and financing receivables, partially offset by higher levels of accounts receivables. The fiscal year 2015 change in operating assets and liabilities was a net source of cash and primarily reflected lower levels of inventory and higher levels of accounts payable and accrued expenses, partially offset by higher levels of prepayments. The lower levels of inventory reflected the impact, primarily recognized in the third quarter of fiscal year 2015, of the acquisition fair value step-up adjustment recorded relative to CareFusion's inventory on the acquisition date. Net cash provided by operating activities in 2016 was reduced by changes in the pension obligation resulting primarily from a discretionary cash contribution of \$100 million. Net cash provided by operating activities in 2015 increased by changes in the pension obligation as current-year expense was partially offset by discretionary contributions of \$40 million. The previously discussed non-cash charge recorded to impair capitalized internal-use software assets held for sale is included as other operating activities.

***Net Cash Flows from Investing Activities******Capital expenditures***

Our investments in capital expenditures are focused on projects that enhance our cost structure and manufacturing capabilities, and support our strategy of geographic expansion with select investments in growing markets. Capital expenditures of \$693 million, \$596 million, \$592 million in 2016, 2015 and 2014, respectively, primarily related to manufacturing capacity expansions and details of spending by segment are contained in Note 6 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data.

***Investments***

Cash inflows from the sales of investments of \$840 million in 2015 were attributable to the maturities of time deposits in Europe, Latin America and Asia Pacific.

***Acquisitions of Businesses***

Cash outflows relating to acquisitions in 2015 and 2014 were \$8.4 billion and \$40 million, respectively. Cash outflows relating to acquisitions in 2015 were primarily attributable to the completion of the CareFusion acquisition in the second quarter of fiscal year 2015. Cash outflows relating to acquisitions in 2014 represented cash paid to acquire Alverix, Inc. in the second quarter of fiscal year 2014. For further discussion, refer to Note 9 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data.

***Net Cash Flows from Financing Activities***

Net cash used for financing activities in 2016 included a net \$500 million reduction of our commercial paper program balance and the third quarter repayment of \$750 million of floating rate notes due on June 15, 2016. Net cash provided by financing activities in 2015 included the proceeds, which were used to finance our acquisition of CareFusion, from \$6.2 billion of notes issued in December 2014 and \$500 million total proceeds from net borrowings under commercial paper programs. For additional information regarding these financing arrangements, refer to Note 15 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data and for additional information regarding the CareFusion acquisition, refer to Note 9 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data.

*Debt-Related Activities*

Certain measures relating to our total debt were as follows:

	2016	2015	2014
Total debt	\$ 11,551	\$ 12,822	\$ 3,971
Short-term debt as a percentage of total debt	8.7%	11.3%	5.1%
Weighted average cost of total debt	3.6%	3.3%	3.7%
Total debt as a percentage of total capital (A)	57.2%	59.4%	43.6%

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

The ratio of short-term debt as a percentage of total debt at September 30, 2016 primarily reflected the reclassifications, from long-term debt to short-term debt, of \$500 million of 1.75% notes due on November 8, 2016 and \$300 million of 1.450% notes due May 15, 2017, offset by the repayment of \$750 million of floating rate notes, as previously discussed. The ratio of short-term debt as a percentage of total debt at September 30, 2015 reflected the reclassification, from long-term debt to short-term debt, of \$750 million of floating rate notes due on June 15, 2016. The ratios of debt as a percentage of total capital at September 30, 2015 and 2014 also reflect adjustments to the consolidated balance sheet resulting from our adoption of revised presentation requirements relating to deferred taxes. Additional information regarding this adoption is provided in Note 2 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data.

*Cash and Short-term Investments*

At September 30, 2016, total worldwide cash and short-term investments were \$1.568 billion, of which \$966 million was held in jurisdictions outside of the United States. We regularly review the amount of cash and short-term investments held outside the United States and currently intend to use such amounts to fund our international operations and their growth initiatives. In addition, if these amounts were repatriated from foreign jurisdictions to the United States, there could be adverse tax consequences.

*Credit Facilities*

We have in place a commercial paper borrowing program which is available to meet our short-term financing needs, including working capital requirements. In February 2016, we increased the size of this program by \$500 million so that it allows us to issue a maximum of \$1.5 billion in notes. Borrowings outstanding under this program were \$200 million at September 30, 2016, which reflected a net reduction of \$500 million from our outstanding balance of commercial paper borrowings at September 30, 2015, as previously discussed.

In January 2016, we replaced an existing \$1 billion syndicated credit facility with a \$1.5 billion syndicated credit facility that has an expiration date of January 2021. There were no borrowings outstanding under this credit facility at September 30, 2016. The credit facility, under which we may issue up to \$100 million in letters of credit, provides backup support for our commercial paper program and can also be used for other general corporate purposes. It includes a provision that enables BD, subject to additional commitments made by the lenders, to access up to an additional \$500 million in financing through the facility for a maximum aggregate commitment of \$2 billion. The credit facility includes a single financial covenant that requires BD to maintain an interest expense coverage ratio of not less than 5-to-1 for the most recent four consecutive fiscal quarters. We were in compliance with this covenant as of September 30, 2016. We also have informal lines of credit outside the United States.

In November 2016, we announced that we commenced tender offers for certain of our senior unsecured notes. We expect to finance the tender offer through an issuance of senior notes, cash on hand and other sources of liquidity.

*Access to Capital and Credit Ratings*

Our ability to generate cash flow from operations, issue debt, enter into other financing arrangements and attract long-term capital on acceptable terms could be adversely affected in the event there was a material decline in the demand for our products, deterioration in our key financial ratios or credit ratings, or other significantly unfavorable changes in conditions.

BD's credit ratings at September 30, 2016 were as follows:

	Standard & Poor's	Moody's
Ratings:		
Senior Unsecured Debt	BBB+	Baa2
Commercial Paper	A-2	P-2
Outlook	Stable	Stable

Subsequent to BD's completion of the CareFusion acquisition in 2015, Standard & Poor's Ratings Services, one of the major corporate debt rating organizations, downgraded BD's long-term debt and commercial paper ratings from A to BBB+ and from A-1 to A-2, respectively. Another major corporate debt rating organization, Moody's Investors Service, downgraded BD's long-term debt rating, from A3 to Baa2. There were no changes to BD's long-term debt and commercial paper ratings with either rating organization during 2016.

BD's credit ratings remained investment grade after these downgrades and while such downgrades in our credit ratings may increase the costs associated with maintaining and borrowing under our existing credit arrangements, the downgrades do not affect our ability to draw on these credit facilities, nor do they result in an acceleration of the scheduled maturities of any outstanding debt. We believe that given our debt ratings, our financial management policies, our ability to generate cash flow and the non-cyclical, geographically diversified nature of our businesses, we would have access to additional short-term and long-term capital should the need arise. A rating reflects only the view of a rating agency and is not a recommendation to buy, sell or hold securities. Ratings can be revised upward or downward at any time by a rating agency if such rating agency decides that circumstances warrant such a change.

**Contractual Obligations**

In the normal course of business, we enter into contracts and commitments that obligate us to make payments in the future. The table below sets forth BD's significant contractual obligations and related scheduled payments as of September 30, 2016:

	Total	2017	2018 to 2019	2020 to 2021	2022 and Thereafter
	(Millions of dollars)				
Short-term debt	\$ 801	\$ 801	\$ —	\$ —	\$ —
Long-term debt(A)	14,679	398	3,381	2,468	8,432
Operating leases	278	74	103	68	33
Purchase obligations(B)	1,413	851	468	85	10
Unrecognized tax benefits(C)	—	—	—	—	—
Total(D)	\$ 17,172	\$ 2,125	\$ 3,951	\$ 2,622	\$ 8,475

- (A) Long-term debt obligations include expected principal and interest obligations.
- (B) Purchase obligations are for purchases made in the normal course of business to meet operational and capital requirements.
- (C) Unrecognized tax benefits at September 30, 2016 of \$457 million were all long-term in nature. Due to the uncertainty related to the timing of the reversal of these tax positions, the related liability has been excluded from the table.
- (D) Required funding obligations for 2016 relating to pension and other postretirement benefit plans are not expected to be material.

**Critical Accounting Policies**

The following discussion supplements the descriptions of our accounting policies contained in Note 1 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data. The preparation of the consolidated financial statements requires management to use estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Some of those judgments can be subjective and complex and, consequently, actual results could differ from those estimates. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. For any given estimate or assumption made by management, it is possible that other people applying reasonable judgment to the same facts and circumstances could develop different estimates. Actual results that differ from management's estimates could have an unfavorable effect on our

consolidated financial statements. Management believes the following critical accounting policies reflect the more significant judgments and estimates used in the preparation of the consolidated financial statements:

***Revenue Recognition***

Some of our sales transactions qualify as multiple-element arrangements which require us to identify separate units of accounting within the arrangement and allocate the transaction consideration across these separate accounting units. For arrangements that include software and non-software elements, the transaction consideration is allocated to the software elements as a group as well as to the individual non-software elements that have been separately identified. The identification of accounting units and the allocation of total transaction consideration for multiple-element arrangements may be subjective and requires a degree of management judgment. Management's judgments relative to multiple-element arrangements may affect the timing of revenue recognition.

Transaction consideration for separately identified non-software units of accounting within an arrangement is recognized upon the completion of each deliverable based on its relative selling price. When applying the relative selling price method, the selling price of each deliverable is determined based upon the following hierarchy of evidence: vendor-specific objective evidence, which is generally based upon historical prices in stand-alone transactions; third-party evidence, which is generally based on market data on sales of similar products and services, if available; and management's best estimate of selling price. Management's best estimate of selling price is generally based upon the following considerations: stand-alone sales prices, established price lists, costs to produce, profit margins for similar products, market conditions, and customer stratification.

For software and software-related products, we use the relative fair value method to allocate transaction consideration to each unit of accounting; whereby the evidence used in the determination of fair value estimates are based solely on vendor-specific objective evidence. To the extent that vendor specific objective evidence does not exist for delivered elements of the transaction, we apply the residual method.

The revenue allocated to equipment or instruments in multiple-element arrangements is recognized upon transfer of title and risk of loss to the customer. The revenue allocated to extended warranty contracts and software maintenance contracts is deferred and recognized as these deliverables are performed under the arrangement. The majority of deferred revenue relating to extended warranty contracts is generally recognized within a few years whereas deferred revenue relating to software maintenance contracts is generally recognized over a longer period.

***Accounting for Sales-Type Leases***

Our accounting for sales-type leases is based upon certain assumptions including the economic life of our leased products and the fair value of our leased products, which is used to determine the interest rate implicit to the lease. These assumptions affect that amount of gross investment in the lease, unearned income, and the sales price that is recognized relative to each sales-type lease transaction. Based upon our anticipation of future technological advances of our products or that of our competitors, the economic life of our leased products is five years as this is the estimated period during which the leased product is expected to be economically usable, without limitation by the lease term. Additionally, five years represents the most frequent contractual lease term for our leased products. Our product configurations are customized for each customer's specifications, and as such, there is no significant after-market for our used equipment. Residual values, if any, are established at lease inception using estimates of the fair value of reclaimable component parts of the products at the end of the lease term.

The fair value of our leased products is estimated on a quarterly basis, based upon transacted cash sales prices during the preceding 12-month period, and represents normal selling price, reflecting any volume or trade discounts that may apply. Because our products are sold as part of customized systems to a diverse range of customers, many of which are affiliated with a group purchasing organization or integrated delivery network, there is a wide range of negotiated cash selling prices for our products. Accordingly, we stratify our cash selling transactions based on product configuration and customer class to determine a best estimate of fair value for each product specific, within determined customer classes. Based upon this stratification, we calculate the weighted average selling price of each configured product using the interquartile range methodology and remove outliers from the population of normal cash selling prices, which narrows the range of selling prices within each stratified customer class. The resulting weighted average selling price is the single point estimate of fair value that we use as the normal selling price and this fair value estimate is used to determine the implicit interest rate for each product subject to a sales-type lease arrangement. In certain instances, we do not have sufficient corresponding historical cash selling transactions to support fair values of specific combinations of product configurations and customer classes. In these instances, fair value is estimated by applying the average discount percentage given to the respective customer class, over the trailing 12 months, to the list price of the products whose fair value was not determined using the interquartile range methodology described above. The resulting fair value(s) is then used to derive the implicit rate of the lease. The interest rate implicit to the lease is then used to determine the amount of revenue recognized at the inception of the lease and the revenue recognized over the life of the lease.

Our net investment in sales-type leases primarily arises from the leasing of dispensing equipment and as such, the methodology for determining the relating allowance for credit losses is based on the collective population and is not stratified

by class or portfolio segment. The allowance for credit losses is based on historical experience loss rates as well as on management's judgments regarding the potential impact of anticipated changes in business practices, market dynamics, and economic conditions. These assumptions are inherently subjective and it is possible that we will experience actual credit losses that are different from our current estimates.

#### ***Accounting for Software Products***

We sell and lease products with embedded software and as such, we must evaluate these products to determine if industry-specific revenue recognition requirements apply to these sales transactions. This evaluation process is often complex and subject to significant judgment. If software is considered not essential to the non-software elements of a product but is considered more than incidental to a product as a whole, the product's software elements must be separated from its non-software elements under the requirements relating to multiple-element arrangements. The product's software elements must be accounted for under software industry-specific revenue recognition requirements and the application of these requirements may significantly affect the timing and amount of revenue recognized.

While we have determined that the software embedded in the following product groupings is more than incidental to the products as a whole, the non-software elements (i.e., hardware) and software elements work together to deliver the essential functionality of these products as a whole. As such, the accounting for these product offerings does not fall within the scope of software industry-specific accounting requirements:

- Infusion products (when sold with safety software, patient identification products and certain diagnostic equipment) within our Medication Management Solutions unit;
- Dispensing products within our Medication Management Solutions unit;
- Research and clinical instruments within our Biosciences unit.

Our standalone software application sales and any related post-contract support related to these sales are accounted for under the software industry-specific revenue recognition requirements.

#### ***Impairment of Assets***

Goodwill and in-process research and development assets are subject to impairment reviews at least annually, or whenever indicators of impairment arise. Intangible assets with finite lives, including developed technology, and other long-lived assets, are periodically reviewed for impairment when impairment indicators are present.

We assess goodwill for impairment at the reporting unit level, which is defined as an operating segment or one level below an operating segment, referred to as a component. Our reporting units generally represent one level below reporting segments and we aggregate components within an operating segment that have similar economic characteristics. Potential impairment of goodwill is identified by comparing the fair value of a reporting unit with its carrying value. Our annual goodwill impairment test performed on July 1, 2016 did not result in any impairment charges, as the fair value of each reporting unit exceeded its carrying value.

We generally use the income approach to derive the fair value for impairment assessments. This approach calculates fair value by estimating future cash flows attributable to the assets and then discounting these cash flows to a present value using a risk-adjusted discount rate. We selected this method because we believe the income approach most appropriately measures our income producing assets. This approach requires significant management judgment with respect to future volume, revenue and expense growth rates, changes in working capital use, appropriate discount rates and other assumptions and estimates. The estimates and assumptions used are consistent with BD's business plans. The use of alternative estimates and assumptions could increase or decrease the estimated fair value of the asset, and potentially result in different impacts to BD's results of operations. Actual results may differ from management's estimates.

#### ***Income Taxes***

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

BD conducts business and files tax returns in numerous countries and currently has tax audits in progress in a number of tax jurisdictions. In evaluating the exposure associated with various tax filing positions, we record accruals for uncertain tax positions based on the technical support for the positions, our past audit experience with similar situations, and the potential interest and penalties related to the matters. BD's effective tax rate in any given period could be impacted if, upon resolution with taxing authorities, we prevailed in positions for which reserves have been established, or we were required to pay amounts in excess of established reserves.

BD has reviewed its needs in the U.S. for possible repatriation of undistributed earnings of its foreign subsidiaries and, with exception for certain countries, continues to invest foreign subsidiaries earnings outside of the U.S. to fund foreign investments or meet foreign working capital and property, plant and equipment expenditure needs. Deferred taxes are not provided on undistributed earnings of foreign subsidiaries that are indefinitely reinvested. At September 30, 2016, the cumulative amount of such undistributed earnings indefinitely reinvested outside the United States was \$8.7 billion. The determination of the amount of the unrecognized deferred tax liability related to the undistributed earnings is not practicable because of the complexities associated with its hypothetical calculation.

#### ***Contingencies***

We are involved, both as a plaintiff and a defendant, in various legal proceedings that arise in the ordinary course of business, including, without limitation, product liability, antitrust and environmental matters, as further discussed in Note 5 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data. We assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. We establish accruals to the extent probable future losses are estimable (in the case of environmental matters, without considering possible third-party recoveries). A determination of the amount of accruals, if any, for these contingencies is made after careful analysis of each individual issue and, when appropriate, is developed after consultation with outside counsel. The accruals may change in the future due to new developments in each matter or changes in our strategy in dealing with these matters.

Given the uncertain nature of litigation generally, we are not able in all cases to estimate the amount or range of loss that could result from an unfavorable outcome of the litigation to which we are a party. In view of these uncertainties, we could incur charges in excess of any currently established accruals and, to the extent available, excess liability insurance. In the opinion of management, any such future charges, individually or in the aggregate, could have a material adverse effect on BD's consolidated results of operations and consolidated net cash flows.

#### ***Benefit Plans***

We have significant net pension and other postretirement and postemployment benefit costs that are measured using actuarial valuations. These benefit costs include assumptions for the discount rate. Pension benefit costs also include an assumption for the expected return on plan assets. These assumptions have a significant effect on the amounts reported. In addition to the analysis below, see Note 8 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data for additional discussion.

The discount rate is selected each year based on investment grade bonds and other factors as of the measurement date (September 30). Specifically for the U.S. pension plan, we will use a discount rate of 3.43% for 2017, which was based on an actuarially-determined, company-specific yield curve to measure liabilities as of the measurement date. To calculate the pension expense in 2017, we will apply the individual spot rates along the yield curve that correspond with the timing of each future cash outflow for benefit payments in order to calculate interest cost and service cost. Additional disclosures regarding the method to be used in calculating the interest cost and service cost components of pension expense for 2017 are provided in Note 8 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data. The expected long-term rate of return on plan assets assumption, although reviewed each year, changes less frequently due to the long-term nature of the assumption. This assumption does not impact the measurement of assets or liabilities as of the measurement date; rather, it is used only in the calculation of pension expense. To determine the expected long-term rate of return on pension plan assets, we consider many factors, including our historical assumptions compared with actual results; benchmark data; expected returns on various plan asset classes, as well as current and expected asset allocations. We will use a long-term expected rate of return on plan assets assumption of 7.25% for the U.S. pension plan in 2017. We believe our discount rate and expected long-term rate of return on plan assets assumptions are appropriate based upon the above factors.

Sensitivity to changes in key assumptions for our U.S. pension and other postretirement and postemployment plans are as follows:

- Discount rate — A change of plus (minus) 25 basis points, with other assumptions held constant, would have an estimated \$4 million favorable (unfavorable) impact on the total U.S. net pension and other postretirement and postemployment benefit plan costs. This estimate assumes no change in the shape or steepness of the company-specific yield curve used to plot the individual spot rates that will be applied to the future cash outflows for future benefit payments in order to calculate interest and service cost.
- Expected return on plan assets — A change of plus (minus) 25 basis points, with other assumptions held constant, would have an estimated \$3 million favorable (unfavorable) impact on U.S. pension plan costs.

#### ***Share-Based Compensation***

Compensation cost relating to share-based payment transactions is recognized in net income using a fair value measurement method. All share-based payments to employees, including grants of employee stock options, are recognized in

the statement of operations as compensation expense (based on their fair values) over the vesting period of the awards. We determine the fair value of certain share-based awards using a lattice-based binomial option valuation model that incorporates certain assumptions, such as the risk-free interest rate, expected volatility, expected dividend yield and expected life of the options. See Note 7 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data for additional discussion.

### **Cautionary Statement Regarding Forward-Looking Statements**

BD and its representatives may from time to time make certain forward-looking statements in publicly released materials, both written and oral, including statements contained in filings with the Securities and Exchange Commission, press releases, and our reports to shareholders. Forward-looking statements may be identified by the use of words such as “plan,” “expect,” “believe,” “intend,” “will,” “may,” “anticipate,” “estimate” and other words of similar meaning in conjunction with, among other things, discussions of future operations and financial performance (including volume growth, sales and earnings per share growth, and cash flows) and statements regarding our strategy for growth, future product development, regulatory approvals, competitive position and expenditures. All statements that address our future operating performance or events or developments that we expect or anticipate will occur in the future are forward-looking statements.

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

The following are some important factors that could cause our actual results to differ from our expectations in any forward-looking statements. For further discussion of certain of these factors, see Item 1A. Risk Factors.

- Weakness in the global economy and financial markets, which could increase the cost of operating our business, weaken demand for our products and services, negatively impact the prices we can charge for our products and services, or impair our ability to produce our products.
- Competitive factors that could adversely affect our operations, including new product introductions (for example, new forms of drug delivery) by our current or future competitors, increased pricing pressure due to the impact of low-cost manufacturers as certain competitors have established manufacturing sites or have contracted with suppliers in low-cost manufacturing locations as a means to lower their costs, patents attained by competitors (particularly as patents on our products expire), and new entrants into our markets.
- The adverse financial impact resulting from unfavorable changes in foreign currency exchange rates.
- Regional, national and foreign economic factors, including inflation, deflation, and fluctuations in interest rates, and the potential effect on our operating performance.
- Our ability to achieve our projected level or mix of product sales, as our earnings forecasts are based on projected sales volumes and pricing of many product types, some of which are more profitable than others.
- Changes in reimbursement practices of third-party payers or adverse decisions relating to our products by such payers, which could reduce demand for our products or the price we can charge for such products.
- The impact of the Patient Protection and Affordable Care Act in the United States, which implemented an excise tax on U.S. sales of certain medical devices (which has been suspended until January 1, 2018), and which could result in reduced demand for our products, increased pricing pressures or otherwise adversely affect our business.
- Future healthcare reform in the United States and other countries in which we do business that may involve changes in government pricing and reimbursement policies or other cost containment reforms.
- Changes in domestic and foreign healthcare industry practices that result in a reduction in procedures using our products or increased pricing pressures, including the continued consolidation among healthcare providers and trends toward managed care and healthcare cost containment.
- Fluctuations in the cost and availability of oil-based resins and other raw materials, as well as certain components, used in our products, the ability to maintain favorable supplier arrangements and relationships (particularly with respect to sole-source suppliers), and the potential adverse effects of any disruption in the availability of such items.
- Security breaches of our information technology systems or our products, which could impair our ability to conduct

business, result in the loss of BD trade secrets or otherwise compromise sensitive information of BD or its customers, suppliers and other business partners, or of customers' patients, or result in product efficacy or safety concerns for certain of our products.

- Difficulties inherent in product development, including the potential inability to successfully continue technological innovation, successfully complete clinical trials, obtain regulatory approvals in the United States and abroad, obtain intellectual property protection for our products, obtain coverage and adequate reimbursement for new products, or gain and maintain market approval of products, as well as the possibility of infringement claims by competitors with respect to patents or other intellectual property rights, all of which can preclude or delay commercialization of a product. Delays in obtaining necessary approvals or clearances from the FDA or other regulatory agencies or changes in the regulatory process may also delay product launches and increase development costs.
- The impact of business combinations, including any volatility in earnings relating to acquisition-related costs, and our ability to successfully integrate any business we may acquire.
- Our ability to penetrate or expand our operations in emerging markets, which depends on local economic and political conditions, and how well we are able to acquire or form strategic business alliances with local companies and make necessary infrastructure enhancements to production facilities and distribution networks. Our international operations also increase our compliance risks, including risks under the Foreign Corrupt Practices Act and other anti-corruption laws.
- Political conditions in international markets, including civil unrest, terrorist activity, governmental changes, trade barriers, restrictions on the ability to transfer capital across borders and governmental expropriation of assets. This includes the possible impact of the June 2016 advisory referendum by British voters to exit the European Union, which has created uncertainties affecting business operations in the United Kingdom and the EU.
- Deficit reduction efforts or other actions that reduce the availability of government funding for healthcare and research, which could weaken demand for our products and result in additional pricing pressures, as well as create potential collection risks associated with such sales.
- Fluctuations in university or U.S. and international governmental funding and policies for life sciences research.
- Fluctuations in the demand for products we sell to pharmaceutical companies that are used to manufacture, or are sold with, the products of such companies, as a result of funding constraints, consolidation or otherwise.
- The effects of events that adversely impact our ability to manufacture our products (particularly where production of a product line is concentrated in one or more plants) or our ability to source materials or components from suppliers (including sole-source suppliers) that are needed for such manufacturing.
- Pending and potential future litigation or other proceedings adverse to BD, including antitrust, product liability, environmental and patent infringement, and the availability or collectability of insurance relating to any such claims.
- New or changing laws and regulations affecting our domestic and foreign operations, or changes in enforcement practices, including laws relating to trade, monetary and fiscal policies, taxation (including tax reforms that could adversely impact multinational corporations), sales practices, environmental protection, price controls, and licensing and regulatory requirements for new products and products in the postmarketing phase. In particular, the U.S. and other countries may impose new requirements regarding registration, labeling or prohibited materials that may require us to re-register products already on the market or otherwise impact our ability to market our products. Environmental laws, particularly with respect to the emission of greenhouse gases, are also becoming more stringent throughout the world, which may increase our costs of operations or necessitate changes in our manufacturing plants or processes or those of our suppliers, or result in liability to BD.
- Product efficacy or safety concerns regarding our products resulting in product recalls, regulatory action on the part of the U.S. Food and Drug Administration (FDA) or foreign counterparts, declining sales and product liability claims, particularly in light of the current regulatory environment, in which there has been increased enforcement activity by the FDA. As a result of the CareFusion acquisition, we are operating under a consent decree with the FDA relating to our U.S. infusion pump business. The consent decree authorizes the FDA, in the event of any violations in the future, to order us to cease manufacturing and distributing products, recall products or take other actions, and we may be required to pay significant monetary damages if we fail to comply with any provision of the consent decree.
- Risks relating to our acquisition of CareFusion, including our ability to successfully combine and integrate the CareFusion operations in order to obtain the anticipated benefits and costs savings from the transaction, and the significant additional indebtedness we incurred in connection with the financing of the acquisition and the impact this increased indebtedness may have on our ability to operate the combined company.

- The effect of adverse media exposure or other publicity regarding BD's business or operations, including the effect on BD's reputation or demand for its products.
- The effect of market fluctuations on the value of assets in BD's pension plans and on actuarial interest rate and asset return assumptions, which could require BD to make additional contributions to the plans or increase our pension plan expense.
- Our ability to obtain the anticipated benefits of restructuring programs, if any, that we may undertake.
- Issuance of new or revised accounting standards by the Financial Accounting Standards Board or the Securities and Exchange Commission.

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

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

The information required by this item is included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and in Notes 1, 13 and 14 to the consolidated financial statements contained in Item 8, Financial Statements and Supplementary Data, and is incorporated herein by reference.

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

**Reports of Management**

**Management's Responsibilities**

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

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

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

**Management's Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Act of 1934. Management conducted an assessment of the effectiveness of internal control over financial reporting based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on this assessment and those criteria, management concluded that internal control over financial reporting was effective as of September 30, 2016.

The financial statements and internal control over financial reporting have been audited by Ernst & Young LLP, an independent registered public accounting firm. Ernst & Young's reports with respect to fairness of the presentation of the financial statements, and the effectiveness of internal control over financial reporting, are included herein.

/s/ Vincent A. Forlenza

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Vincent A. Forlenza

*Chairman, Chief Executive Officer and President*

/s/ Christopher Reidy

\_\_\_\_\_  
Christopher Reidy

*Executive Vice President, Chief Financial Officer and  
Chief Administrative Officer*

/s/ John Gallagher

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John Gallagher

*Senior Vice President, Corporate Finance, Controller  
and Treasurer*

**Report of Independent Registered Public Accounting Firm**

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

We have audited the accompanying consolidated balance sheets of Becton, Dickinson and Company as of September 30, 2016 and 2015, and the related consolidated statements of income, comprehensive income and cash flows for each of the three years in the period ended September 30, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Becton, Dickinson and Company at September 30, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Becton, Dickinson and Company's internal control over financial reporting as of September 30, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated November 23, 2016 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

New York, New York  
November 23, 2016

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**Report of Independent Registered Public Accounting Firm**

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

We have audited Becton, Dickinson and Company's internal control over financial reporting as of September 30, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Becton, Dickinson and Company'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 company'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, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and 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, Becton, Dickinson and Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Becton, Dickinson and Company as of September 30, 2016 and 2015, and the related consolidated statements of income, comprehensive income and cash flows for each of the three years in the period ended September 30, 2016 of Becton, Dickinson and Company, and our report dated November 23, 2016 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

New York, New York  
November 23, 2016

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**Consolidated Statements of Income**  
**Becton, Dickinson and Company**  
**Years Ended September 30**

Millions of dollars, except per share amounts	2016	2015	2014
Revenues	\$ 12,483	\$ 10,282	\$ 8,446
Cost of products sold	6,492	5,587	4,145
Selling and administrative expense	3,005	2,563	2,145
Research and development expense	828	632	550
Acquisitions and other restructurings	728	426	—
Total Operating Costs and Expenses	<u>11,053</u>	<u>9,207</u>	<u>6,840</u>
Operating Income	1,430	1,074	1,606
Interest expense	(388)	(371)	(135)
Interest income	21	15	46
Other income, net	11	21	5
Income Before Income Taxes	1,074	739	1,522
Income tax provision	97	44	337
Net Income	<u>\$ 976</u>	<u>\$ 695</u>	<u>\$ 1,185</u>
Basic Earnings per Share	<u>\$ 4.59</u>	<u>\$ 3.43</u>	<u>\$ 6.13</u>
Diluted Earnings per Share	<u>\$ 4.49</u>	<u>\$ 3.35</u>	<u>\$ 5.99</u>

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

**Consolidated Statements of Comprehensive Income**  
**Becton, Dickinson and Company**  
**Years Ended September 30**

Millions of dollars	2016	2015	2014
Net Income	\$ 976	\$ 695	\$ 1,185
Other Comprehensive Income (Loss), Net of Tax			
Foreign currency translation adjustments	(50)	(692)	(344)
Defined benefit pension and postretirement plans	(141)	(36)	(147)
Net unrealized gains (losses) on cash flow hedges, net of reclassifications	1	(9)	5
Other Comprehensive (Loss) Income, Net of Tax	(191)	(737)	(486)
Comprehensive Income (Loss)	\$ 786	\$ (42)	\$ 699

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

**Consolidated Balance Sheets**  
**Becton, Dickinson and Company**  
**September 30**

Millions of dollars, except per share amounts and numbers of shares	2016	2015
<b>Assets</b>		
Current Assets		
Cash and equivalents	\$ 1,541	\$ 1,424
Short-term investments	27	20
Trade receivables, net	1,618	1,618
Current portion of net investment in sales-type leases	339	75
Inventories	1,719	1,959
Assets held for sale	642	—
Prepaid expenses and other	480	563
Total Current Assets	6,367	5,659
Property, Plant and Equipment, Net	3,901	4,060
Goodwill	7,419	7,537
Customer Relationships, Net	3,022	3,250
Developed Technology, Net	2,655	2,977
Other Intangibles, Net	604	797
Capitalized Software, Net	70	362
Net Investment in Sales-Type Leases, Less Current Portion	796	1,118
Other Assets	753	717
<b>Total Assets</b>	<b>\$ 25,586</b>	<b>\$ 26,478</b>
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities		
Short-term debt	\$ 1,001	\$ 1,452
Accounts payable	665	631
Accrued expenses	1,575	1,624
Salaries, wages and related items	696	647
Income taxes	274	28
Liabilities held for sale	189	—
Total Current Liabilities	4,400	4,381
Long-Term Debt	10,550	11,370
Long-Term Employee Benefit Obligations	1,319	1,133
Deferred Income Taxes and Other	1,684	2,430
Commitments and Contingencies (See Note 5)		
Shareholders' Equity		
Common stock — \$1 par value: authorized — 640,000,000 shares; issued — 332,662,160 shares in 2016 and 2015.	333	333
Capital in excess of par value	4,693	4,475
Retained earnings	12,727	12,314
Deferred compensation	22	20
Common stock in treasury — at cost — 119,370,934 shares in 2016 and 121,966,516 shares in 2015.	(8,212)	(8,239)
Accumulated other comprehensive loss	(1,929)	(1,738)
Total Shareholders' Equity	7,633	7,164
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 25,586</b>	<b>\$ 26,478</b>

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

**Consolidated Statements of Cash Flows**
**Becton, Dickinson and Company**  
**Years Ended September 30**

Millions of dollars	2016	2015	2014
<b>Operating Activities</b>			
Net income	\$ 976	\$ 695	\$ 1,185
Adjustments to net income to derive net cash provided by operating activities:			
Depreciation and amortization	1,114	891	562
Share-based compensation	196	166	113
Deferred income taxes	(426)	(336)	(32)
Change in operating assets and liabilities:			
Trade receivables, net	(128)	(2)	(7)
Net investment in sales-type leases	51	28	—
Inventories	69	200	(189)
Prepaid expenses and other	39	(97)	(120)
Accounts payable, income taxes and other liabilities	368	145	199
Pension obligation	(32)	28	(29)
Other, net	332	11	62
Net Cash Provided by Operating Activities	<u>2,559</u>	<u>1,730</u>	<u>1,746</u>
<b>Investing Activities</b>			
Capital expenditures	(693)	(596)	(592)
Capitalized software	(25)	(37)	(61)
(Purchases of) proceeds from investments, net	(1)	840	(171)
Acquisitions of businesses, net of cash acquired	—	(8,414)	(40)
Divestitures of businesses	158	—	—
Other, net	(108)	(110)	(84)
Net Cash Used for Investing Activities	<u>(669)</u>	<u>(8,318)</u>	<u>(948)</u>
<b>Financing Activities</b>			
Change in short-term debt	(500)	497	(4)
Proceeds from long-term debt	—	6,164	—
Payments of debt	(752)	(6)	—
Repurchase of common stock	—	—	(400)
Issuance of common stock and other, net	(32)	(27)	(9)
Excess tax benefit from payments under share-based compensation plans	86	48	27
Dividends paid	(562)	(485)	(421)
Net Cash (Used for) Provided by Financing Activities	<u>(1,761)</u>	<u>6,190</u>	<u>(807)</u>
Effect of exchange rate changes on cash and equivalents	<u>(12)</u>	<u>(38)</u>	<u>(20)</u>
Net Increase (Decrease) in Cash and Equivalents	117	(436)	(29)
Opening Cash and Equivalents	1,424	1,861	1,890
Closing Cash and Equivalents	<u>\$ 1,541</u>	<u>\$ 1,424</u>	<u>\$ 1,861</u>

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

**Notes to Consolidated Financial Statements**  
**Becton, Dickinson and Company**  
**Millions of dollars, except per share amounts and numbers of shares**

**Note 1 — Summary of Significant Accounting Policies**

***Basis of Presentation***

The accompanying Consolidated Financial Statements and Notes to Consolidated Financial Statements of Becton, Dickinson and Company (the “Company”) have been prepared in accordance with U.S. generally accepted accounting principles. Within the financial statements and tables presented, certain columns and rows may not add due to the use of rounded numbers for disclosure purposes. Percentages and earnings per share amounts presented are calculated from the underlying amounts. Our fiscal year ends on September 30.

***Principles of Consolidation***

The consolidated financial statements include the Company’s accounts and those of its majority-owned subsidiaries after the elimination of intercompany transactions. The Company has no material interests in variable interest entities.

***Cash Equivalents***

Cash equivalents consist of all highly liquid investments with a maturity of three months or less at time of purchase.

***Short-Term Investments***

Short-term investments consist of time deposits with maturities greater than three months and less than one year when purchased.

***Trade and Financing Receivables***

The Company grants credit to customers in the normal course of business and the resulting trade receivables are stated at their net realizable value. The Company's portfolio of financing receivables arises from the leasing of dispensing equipment. The allowance for doubtful accounts represents the Company’s estimate of probable credit losses relating to trade receivables and is determined based on historical experience and other specific account data. Allowances for credit losses relating to financing receivables are also based on historical experience loss rates and the potential impact of anticipated changes in business practices, market dynamics, and economic conditions. Amounts are written off against the allowances for doubtful accounts or credit losses when the Company determines that a customer account is uncollectible.

***Inventories***

Inventories are stated at the lower of first-in, first-out cost or market.

***Property, Plant and Equipment***

Property, plant and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are principally provided on the straight-line basis over estimated useful lives, which range from 20 to 45 years for buildings, four to 13 years for machinery and equipment and one to 12 years for leasehold improvements. Depreciation and amortization expense was \$452 million, \$417 million and \$369 million in fiscal years 2016, 2015 and 2014, respectively.

***Goodwill and Other Intangible Assets***

The Company’s unamortized intangible assets include goodwill and in-process research and development assets which arise from acquisitions. The Company currently reviews all indefinite-lived assets, including goodwill, for impairment using quantitative models. Goodwill is reviewed at least annually for impairment at the reporting unit level, which is defined as an operating segment or one level below an operating segment, referred to as a component. The Company’s reporting units generally represent one level below reporting segments, and components within an operating segment that have similar economic characteristics are aggregated. Potential impairment of goodwill is identified by comparing the fair value of a reporting unit, estimated using an income approach, with its carrying value. The annual impairment review performed on July 1, 2016 indicated that all identified reporting units’ fair values exceeded their respective carrying values.

The review for impairment of in-process research and development assets is performed by comparing the fair value of the technology or project assets, estimated using an income approach, with their carrying value. In-process research and development assets are considered indefinite-lived assets and are reviewed at least annually for impairment until projects are completed or abandoned. Certain trademarks that are considered to generate cash flows indefinitely are also considered to be indefinite-lived intangible assets and these assets are also reviewed at least annually for impairment.

**Notes to Consolidated Financial Statements — (Continued)**  
**Becton, Dickinson and Company**

Amortized intangible assets include developed technology assets which arise from acquisitions. These assets represent acquired intellectual property that is already technologically feasible upon the acquisition date or acquired in-process research and development assets that are completed subsequent to acquisition. Developed technology assets are generally amortized over periods ranging from 15 to 20 years, using the straight-line method. Other intangibles with finite useful lives, which include patents, are amortized over periods principally ranging from one to 40 years, using the straight-line method. Finite-lived intangible assets, including developed technology assets, are periodically reviewed when impairment indicators are present to assess recoverability from future operations using undiscounted cash flows. The carrying values of these finite-lived assets are compared to the undiscounted cash flows they are expected to generate and an impairment loss is recognized in operating results to the extent any finite-lived intangible asset's carrying value exceeds its calculated fair value.

***Capitalized Software***

Capitalized software, including costs for software developed or obtained for internal use, is stated at cost, less accumulated amortization. Amortization expense is principally provided on the straight-line basis over estimated useful lives, which do not exceed 10 years. Amortization expense related to capitalized software was \$46 million, \$65 million and \$41 million for 2016, 2015 and 2014, respectively.

In the fourth quarter of fiscal year 2015, the Company initiated a plan to transition certain elements of its global information technology function from Company-owned assets to an outsourced, cloud-based model. The Company recorded impairment charges in the fourth quarter of fiscal year 2015 for assets held for sale as a result of this plan. In the fourth quarter of fiscal year 2016, the Company expanded the scope of this plan to include the transition of certain business information systems assets to a third-party and as a result, the Company recorded a \$214 million charge to impair these capitalized internal-use software assets held for sale. Additional disclosures regarding fair value measurement in connection with these charges are provided in Note 14.

***Foreign Currency Translation***

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

***Revenue Recognition***

Revenue from product sales is typically recognized when all of the following criteria have been met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; product price is fixed or determinable; collection of the resulting receivable is reasonably assured. Certain sales arrangements contain multiple deliverables, including equipment and service deliverables, which requires the Company to determine the separate units of account. If the deliverable meets the criteria of a separate unit of accounting, the arrangement consideration is allocated to each element based upon its relative selling price. In determining the best evidence of selling price of a unit of account the Company utilizes vendor-specific objective evidence ("VSOE"), which is the price the Company charges when the deliverable is sold separately. When VSOE is not available, management uses relevant third-party evidence ("TPE") of selling price, if available. When neither VSOE nor TPE of selling price exists, management uses its best estimate of selling price.

Revenue allocated to equipment deliverables is recognized upon customer acceptance, which occurs after the transfer of title and risk of loss to the customer and the completion of installation or training services. When related training services are considered inconsequential, delivery is deemed to occur upon the transfer of title and risk of loss, at which time revenue and the costs associated with installation and training are recognized.

For equipment lease revenue, transactions are evaluated and classified as either operating leases or sales-type leases. Lease income for products sold under sales-type leases is recognized as revenue upon the completion of installation activities in the amount of the present value of the minimum lease payments. The financing component of sales-type leases is recorded as revenue over the lease term. For products sold under operating leases, revenue is recognized at the contracted rate over the rental period, as defined within the customer agreement.

For products sold and leased with embedded software, if software is considered not essential to the non-software elements of a product but is considered more than incidental to a product as a whole, the product's software elements must be separated from its non-software elements under the requirements relating to multiple-element arrangements and accounted for under software industry-specific revenue recognition requirements. However, if it is determined that the embedded software is more than incidental to the product as a whole but the non-software elements and software elements work together to deliver the

**Notes to Consolidated Financial Statements — (Continued)**  
**Becton, Dickinson and Company**

essential functionality of the products as a whole, then the accounting for such product does not fall within the scope of software industry-specific accounting requirements.

The Company's domestic businesses sell products primarily to distributors that resell the products to end-user customers. Rebates are provided to distributors that sell to end-user customers at prices determined under a contract between the Company and the end-user customer. Provisions for rebates, as well as sales discounts and returns, are based upon estimates and are accounted for as a reduction of revenues when revenue is recognized.

***Shipping and Handling Costs***

Shipping and handling costs are included in *Selling and administrative expense*. Shipping expense was \$401 million, \$351 million and \$299 million in 2016, 2015 and 2014, respectively.

***Derivative Financial Instruments***

All derivatives are recorded in the balance sheet at fair value and changes in fair value are recognized currently in earnings unless specific hedge accounting criteria are met.

From time to time, derivative financial instruments are utilized by the Company in the management of its foreign currency, interest rate and commodity price exposures. The Company periodically purchases forward contracts and options to hedge certain forecasted transactions that are denominated in foreign currencies in order to partially protect against a reduction in the value of future earnings resulting from adverse foreign exchange rate movements. The Company also periodically utilizes interest rate swaps to maintain a balance between fixed and floating rate instruments. Additionally, the Company periodically manages price risks associated with resin purchase costs through commodity derivative forward contracts. The Company does not enter into derivative financial instruments for trading or speculative purposes.

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

***Income Taxes***

United States income taxes are not provided on undistributed earnings of foreign subsidiaries where such undistributed earnings are indefinitely reinvested outside the United States. Deferred taxes are provided for earnings of foreign subsidiaries when those earnings are not considered indefinitely reinvested. Income taxes are provided and tax credits are recognized based on tax laws enacted at the dates of the financial statements.

The Company conducts business and files tax returns in numerous countries and currently has tax audits in progress in a number of tax jurisdictions. In evaluating the exposure associated with various tax filing positions, the Company records accruals for uncertain tax positions, based on the technical support for the positions, past audit experience with similar situations, and the potential interest and penalties related to the matters.

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

***Earnings per Share***

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

***Use of Estimates***

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

**Notes to Consolidated Financial Statements — (Continued)**  
**Becton, Dickinson and Company**

***Share-Based Compensation***

The Company recognizes the fair value of share-based compensation in net income. Compensation expense is recognized on a straight-line basis over the requisite service period, which is generally the vesting period.

**Note 2 — Accounting Changes**

***New Accounting Principle Adopted***

In November 2015, the Financial Accounting Standards Board ("FASB") issued amended guidance that requires entities to present deferred tax assets and liabilities as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. Early adoption is permitted under the amendments. The Company has retrospectively adopted the guidance effective October 1, 2015 and as such, the consolidated balance sheets as of September 30, 2015 and 2014 reflect the reclassifications of current deferred tax assets of \$387 million and \$355 million, respectively, as noncurrent amounts, after giving effect to jurisdictional netting requirements.

***New Accounting Principles Not Yet Adopted***

In March 2016, the FASB issued guidance which amends certain aspects of the accounting for share-based compensation awards to employees. The Company elected to early adopt the amended guidance on October 1, 2016. Upon settlement of awards over the course of fiscal year 2017 and in accordance with the amended requirements relating to the timing of recognition and classification of award-related income tax effects, the Company expects to record a tax benefit of \$55 million to \$65 million, depending upon the Company's stock price, to *Income tax provision* within its consolidated statement of income. Such benefits were previously recorded within *Capital in excess of par value* on the Company's consolidated balance sheet. Because these excess tax benefits will no longer be recorded in *Capital in excess of par value*, the benefits will be excluded from the Company's computation of diluted earnings per share for the first quarter of fiscal year 2017, which will increase weighted-average common shares outstanding by approximately 1 million shares. Also per the amended guidance, the Company's prospective classification of this excess tax benefit on its consolidated statement of cash flows will be within *Net Cash Provided by Operating Activities*, rather than *Net Cash (Used for) Provided by Financing Activities*. The amended guidance allow entities to account for award forfeitures as they occur; however, the Company has elected to continue its determination of compensation cost recognized in each period based upon an estimate of expected forfeitures.

In February 2016, the FASB issued a new lease accounting standard which requires lessees to recognize lease assets and lease liabilities on the balance sheet. The new standard also requires expanded disclosures regarding leasing arrangements. The Company is currently evaluating the impact that this new lease accounting standard will have on its consolidated financial statements upon its adoption of the standard on October 1, 2019.

In May 2014, the FASB issued a new revenue recognition standard. Under this standard, revenue will be recognized upon the transfer of goods or services to customers and the amount of revenue recognized will reflect the consideration to which a reporting entity expects to be entitled in exchange for those goods or services. The Company is currently evaluating the impact that this new revenue recognition standard will have on its consolidated financial statements and the Company currently intends to adopt the standard on October 1, 2018, as is allowed under the FASB's July 2015 amendment which deferred the effective date for this standard.

In April 2014, the FASB issued amended requirements that require debt issuance costs, related to a recognized debt liability, to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The Company will apply the amended presentation requirements on October 1, 2016.

**Notes to Consolidated Financial Statements — (Continued)**  
**Becton, Dickinson and Company**

**Note 3 — Shareholders' Equity**

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

(Millions of dollars)	Common Stock Issued at Par Value	Capital in Excess of Par Value	Retained Earnings	Deferred Compensation	Treasury Stock	
					Shares (in thousands)	Amount
Balance at September 30, 2013	\$ 333	\$ 2,068	\$ 11,342	\$ 19	(138,663)	\$ (8,204)
Net income	—	—	1,185	—	—	—
Cash dividends:						
Common (\$2.18 per share)	—	—	(421)	—	—	—
Common stock issued for:						
Share-based compensation and other plans, net	—	19	—	—	1,431	3
Share-based compensation	—	111	—	—	—	—
Common stock held in trusts, net	—	—	—	—	36	—
Repurchase of common stock	—	—	—	—	(3,574)	(400)
Balance at September 30, 2014	\$ 333	\$ 2,198	\$ 12,105	\$ 19	(140,770)	\$ (8,601)
Net income	—	—	695	—	—	—
Cash dividends:						
Common (\$2.40 per share)	—	—	(485)	—	—	—
Common stock issued for:						
Share-based compensation and other plans, net	—	30	(2)	1	2,839	(6)
Acquisitions	—	2,083	—	—	15,959	368
Share-based compensation	—	164	—	—	—	—
Common stock held in trusts, net	—	—	—	—	5	—
Balance at September 30, 2015	\$ 333	\$ 4,475	\$ 12,314	\$ 20	(121,967)	\$ (8,239)
Net income	—	—	976	—	—	—
Cash dividends:						
Common (\$2.64 per share)	—	—	(562)	—	—	—
Common stock issued for:						
Share-based compensation and other plans, net	—	27	(1)	2	2,607	26
Share-based compensation	—	191	—	—	—	—
Common stock held in trusts, net	—	—	—	—	(11)	—
Balance at September 30, 2016	\$ 333	\$ 4,693	\$ 12,727	\$ 22	(119,371)	\$ (8,212)

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

**Notes to Consolidated Financial Statements — (Continued)**  
**Becton, Dickinson and Company**

The components and changes of *Accumulated other comprehensive income (loss)* were as follows:

<b>(Millions of dollars)</b>	<b>Total</b>	<b>Foreign Currency Translation</b>	<b>Benefit Plans</b>	<b>Cash Flow Hedges</b>
Balance at September 30, 2013	\$ (516)	\$ 74	\$ (558)	\$ (31)
Other comprehensive loss before reclassifications, net of taxes	(524)	(344)	(180)	—
Amounts reclassified into income, net of taxes	38	—	33	5
Balance at September 30, 2014	\$ (1,001)	\$ (270)	\$ (705)	\$ (26)
Other comprehensive loss before reclassifications, net of taxes	(787)	(692)	(80)	(16)
Amounts reclassified into income, net of taxes	50	—	44	6
Balance at September 30, 2015	\$ (1,738)	\$ (961)	\$ (741)	\$ (36)
Other comprehensive loss before reclassifications, net of taxes	(251)	(50)	(190)	(11)
Amounts reclassified into income, net of taxes	60	—	48	12
Balance at September 30, 2016	\$ (1,929)	\$ (1,011)	\$ (883)	\$ (35)

The tax impacts for amounts recognized in other comprehensive income before reclassifications were as follows:

<b>(Millions of dollars)</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<i>Benefit Plans</i>			
Income tax benefit for net losses recorded in other comprehensive income	\$ 79	\$ 47	\$ 86
<i>Cash Flow Hedges</i>			
Income tax benefit for net losses recorded in other comprehensive income	\$ 7	\$ 10	\$ —

Reclassifications out of *Accumulated other comprehensive income (loss)* were as follows:

<b>(Millions of dollars)</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<i>Benefit Plans</i>			
Reclassification of credits and losses into income	\$ 73	\$ 67	\$ 51
Associated income tax benefits	(25)	(23)	(17)
Amounts reclassified into income, net of taxes (A)	\$ 48	\$ 44	\$ 33
<i>Cash Flow Hedges</i>			
Reclassification of losses into income	\$ 19	\$ 10	\$ 8
Associated income tax benefits	(7)	(4)	(3)
Amounts reclassified into income, net of taxes (B)	\$ 12	\$ 6	\$ 5

(A) These reclassifications were not recorded into income in their entirety and were included in the computation of net periodic benefit plan costs. Additional details regarding the Company's benefit plans are provided in Note 8.

(B) These reclassifications were recorded to *Interest expense* and *Cost of products sold*. Additional details regarding the Company's cash flow hedges are provided in Note 13.

**Notes to Consolidated Financial Statements — (Continued)**  
**Becton, Dickinson and Company**

On August 25, 2016, in anticipation of proceeds to be received from the divestiture of the Respiratory Solutions business in the first quarter of fiscal year 2017, the Company entered into an accelerated share repurchase ("ASR") agreement. Subsequent to the end of the Company's fiscal year 2016 and as per the terms of the ASR agreement, the Company received approximately 1.3 million shares of its common stock, which was recorded as a \$220 million increase to *Common stock in treasury*.

**Note 4 — Earnings per Share**

The weighted average common shares used in the computations of basic and diluted earnings per share (shares in thousands) for the years ended September 30 were as follows:

	2016	2015	2014
Average common shares outstanding	212,702	202,537	193,299
Dilutive share equivalents from share-based plans	4,834	4,972	4,410
Average common and common equivalent shares outstanding — assuming dilution	217,536	207,509	197,709

Upon closing the acquisition of CareFusion Corporation ("CareFusion") on March 17, 2015, the Company issued approximately 15.9 million of its common shares as part of the purchase consideration. Additional disclosures regarding this acquisition are provided in Note 9.

Options to purchase shares of common stock are excluded from the calculation of diluted earnings per share when their inclusion would have an anti-dilutive effect on the calculation. For the years ended September 30, 2016, 2015 and 2014 there were no options to purchase shares of common stock which were excluded from the diluted earnings per share calculation.

**Note 5 — Commitments and Contingencies**

**Commitments**

Rental expense for all operating leases amounted to \$112 million in 2016, \$89 million in 2015 and \$71 million in 2014. Future minimum rental commitments on non-cancelable leases are as follows: 2017 — \$74 million; 2018 — \$55 million; 2019 — \$48 million; 2020 — \$38 million; 2021 — \$30 million and an aggregate of \$33 million thereafter.

As of September 30, 2016, the Company has certain future purchase commitments aggregating to approximately \$1.413 billion, which will be expended over the next several years.

**Contingencies**

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

In June 2007, Retractable Technologies, Inc. ("RTI") filed a complaint against the Company under the caption Retractable Technologies, Inc. vs. Becton Dickinson and Company (Civil Action No. 2:07-cv-250, U.S. District Court, Eastern District of Texas) alleging that the BD Integra™ syringes infringe patents licensed exclusively to RTI. In its complaint, RTI also alleged that the Company engaged in false advertising with respect to certain of the Company's safety-engineered products in violation of the Lanham Act; acted to exclude RTI from various product markets and to maintain its market share through, among other things, exclusionary contracts in violation of state and federal antitrust laws; and engaged in unfair competition. In January 2008, the court severed the patent and non-patent claims into separate cases, and stayed the non-patent claims during the pendency of the patent claims at the trial court level. On April 1, 2008, RTI filed a complaint against BD under the caption Retractable Technologies, Inc. and Thomas J. Shaw v. Becton Dickinson and Company (Civil Action No. 2:08-cv-141, U.S. District Court, Eastern District of Texas) alleging that the BD Integra™ syringes infringe another patent licensed exclusively to

**Notes to Consolidated Financial Statements — (Continued)**  
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RTI. On August 29, 2008, the court ordered the consolidation of the patent cases. RTI was subsequently awarded \$5 million in damages at a jury trial with respect to the patent claims, which has been paid, and the patent cases are now concluded.

On September 19, 2013, a jury returned a verdict against BD with respect to RTI's Lanham Act claim and claim for attempted monopolization based on deception in the safety syringe market. The jury awarded RTI \$113.5 million for its attempted monopolization claim (which will be trebled under the antitrust statute). The jury's verdict rejected RTI's monopolization claims in the markets for safety syringes, conventional syringes and safety IV catheters; its attempted monopolization claims in the markets for conventional syringes and safety IV catheters; and its claims for contractual restraint of trade and exclusive dealing in the markets for safety syringes, conventional syringes and safety IV catheters. In connection with the verdict, the Company recorded a pre-tax charge of approximately \$341 million in the fourth quarter of fiscal year 2013. With respect to RTI's requested injunction relief, in November 2014, the Court granted RTI's request that BD be ordered to issue certain corrective statements regarding its advertising and enjoined from making certain advertising claims. The Court denied RTI's request for injunctive relief relating to BD's contracting practices and BD's safety syringe advertising, finding that RTI failed to prove that BD's contracting practices violated the antitrust laws or that BD's safety syringe advertising is false. On January 14, 2015, the Court granted in part and denied in part BD's motion for a stay of the injunction. The Court held that, pending appeal, BD would not be required to send the corrective advertising notices to end-user customers, but only to employees, distributors and Group Purchasing Organizations. On January 15, 2015, the Court entered its Final Judgment in the case ordering that RTI recovers \$341 million for its attempted monopolization claim and \$12 million for attorneys' fees, and awarded pre and post-judgment interest and costs. On February 3, 2015, the Court of Appeals for the Fifth Circuit denied BD's motion for a stay of the injunction pending the final appeal, and BD thereafter complied with the Court's order. On April 23, 2015, the Court granted BD's motion to eliminate the award of pre-judgment interest, and entered a new Final Judgment. BD has filed its appeal to the Court of Appeals challenging the entirety of the Final Judgment.

On July 17, 2015, a class action complaint was filed against the Company in the U.S. District Court for the Southern District of Georgia. The plaintiffs, Glynn-Brunswick Hospital Authority, trading as Southeast Georgia Health System, and Southeast Georgia Health System, Inc., seek to represent a class of acute care purchasers of BD syringes and IV catheters. The complaint alleges that BD monopolized the markets for syringes and IV catheters through contracts, theft of technology, false advertising, acquisitions, and other conduct. The complaint seeks treble damages but does not specify the amount of alleged damages. The Company filed a motion to dismiss the complaint which was granted on January 29, 2016. On September 23, 2016, the court denied plaintiffs' motion to alter or amend the judgment to allow plaintiffs to file an amended complaint, and plaintiffs have appealed that decision to the Eleventh Circuit Court of Appeals.

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

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

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

#### **Note 6 — Segment Data**

The Company's organizational structure is based upon two principal business segments: BD Medical ("Medical") and BD Life Sciences ("Life Sciences"). The Company's two principal business segments are strategic businesses that are managed separately because each one develops, manufactures and markets distinct products and services.

The Medical segment produces a broad array of medical technologies and devices that are used to help improve healthcare delivery in a wide range of settings. The principal product lines in the Medical segment include syringes, pen needles and IV sets for the injection or infusion of insulin and other drugs used in the treatment of diabetes; needles, syringes and intravenous catheters for medication delivery (including safety-engineered and auto-disable devices); prefilled IV flush syringes; regional anesthesia needles and trays; sharps disposal containers; closed-system transfer devices; skin antiseptic products; surgical and laproscopic instrumentation; intravenous medication safety and infusion therapy delivery systems, including infusion pumps and dedicated disposables; medication compounding workflow systems; automated medication

**Notes to Consolidated Financial Statements — (Continued)**  
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dispensing and supply management systems; prefillable drug delivery systems provided to pharmaceutical companies and sold to end-users as drug/device combinations.

The Life Sciences segment produces products for the safe collection and transport of diagnostics specimens, as well as instruments and reagent systems to detect a broad range of infectious diseases, healthcare-associated infections (“HAIs”) and cancers. The segment also produces research and clinical tools that facilitate the study of cells, and the components of cells, to gain a better understanding of normal and disease processes. The principal products and services in the Life Sciences segment include integrated systems for specimen collection; safety-engineered blood collection products and systems; automated blood culturing and tuberculosis culturing systems; molecular testing systems for infectious diseases and women’s health; microorganism identification and drug susceptibility systems; liquid-based cytology systems for cervical cancer screening; rapid diagnostic assays; microbiology laboratory automation; plated media; fluorescence-activated cell sorters and analyzers; monoclonal antibodies and kits for performing cell analysis; reagent systems for life science research; molecular indexing and next-generation sequencing sample preparation for genomics research; clinical oncology, immunological (HIV) and transplantation diagnostic/monitoring reagents and analyzers; and cell culture media supplements for biopharmaceutical manufacturing.

The Company evaluates performance of its business segments and allocates resources to them primarily based upon operating income. Segment operating income represents revenues reduced by product costs and operating expenses.

Distribution of products is primarily through independent distribution channels, and directly to end-users by BD and independent sales representatives. No customer accounted for 10% or more of revenues in any of the three years presented.

(Millions of dollars)	2016	2015	2014
<b>Revenues (A)</b>			
Medical	\$ 8,654	\$ 6,460	\$ 4,573
Life Sciences	3,829	3,822	3,872
Total Revenues	<u>\$ 12,483</u>	<u>\$ 10,282</u>	<u>\$ 8,446</u>
<b>Income Before Income Taxes</b>			
Medical (B)	\$ 2,052	\$ 1,530	\$ 1,291
Life Sciences	793	839	861
Total Segment Operating Income	2,845	2,368	2,152
Acquisitions and other restructurings	(728)	(426)	—
Net interest expense	(367)	(356)	(89)
Other unallocated items (C)	(676)	(847)	(541)
Income Before Income Taxes	<u>\$ 1,074</u>	<u>\$ 739</u>	<u>\$ 1,522</u>
<b>Segment Assets</b>			
Medical	\$ 19,154	\$ 20,055	\$ 4,668
Life Sciences	3,848	3,932	3,783
Total Segment Assets	23,002	23,987	8,451
Corporate and All Other (D)	2,584	2,491	3,933
Total Assets	<u>\$ 25,586</u>	<u>\$ 26,478</u>	<u>\$ 12,384</u>
<b>Capital Expenditures</b>			
Medical	\$ 482	\$ 414	\$ 420
Life Sciences	200	168	155
Corporate and All Other	12	14	16
Total Capital Expenditures	<u>\$ 693</u>	<u>\$ 596</u>	<u>\$ 592</u>
<b>Depreciation and Amortization</b>			
Medical	\$ 857	\$ 619	\$ 293
Life Sciences	254	256	251
Corporate and All Other	3	17	18
Total Depreciation and Amortization	<u>\$ 1,114</u>	<u>\$ 891</u>	<u>\$ 562</u>

**Notes to Consolidated Financial Statements — (Continued)**  
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- (A) Intersegment revenues are not material.
- (B) Reflected non-cash amortization expense and depreciation expense relating to the identifiable intangible assets and fixed assets acquired in the CareFusion transaction of \$492 million and \$284 million in 2016 and 2015, respectively. Additional disclosures regarding this acquisition are provided in Note 9.
- (C) Primarily comprised of foreign exchange, corporate expenses, and share-based compensation expense. Results in 2015 reflected \$293 million in recognition of the fair value step-up adjustment recorded relative to CareFusion’s inventory on the acquisition date.
- (D) Includes cash and investments and corporate assets.

**Geographic Information**

The countries in which the Company has local revenue-generating operations have been combined into the following geographic areas: the United States (including Puerto Rico); Europe; Greater Asia (which includes Japan and Asia Pacific); and Other, which is comprised of Latin America, Canada, and EMA (which includes the Commonwealth of Independent States, Middle East and Africa).

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

(Millions of dollars)	2016	2015	2014
<b>Revenues</b>			
United States	\$ 6,893	\$ 5,069	\$ 3,417
Europe	3,049	2,434	2,383
Greater Asia	1,692	1,545	1,437
Other	849	1,234	1,210
	<u>\$ 12,483</u>	<u>\$ 10,282</u>	<u>\$ 8,446</u>
<b>Long-Lived Assets</b>			
United States	\$ 14,075	\$ 15,513	\$ 3,126
Europe	3,747	3,908	1,995
Greater Asia	586	573	575
Other	483	494	572
Corporate	329	332	340
	<u>\$ 19,220</u>	<u>\$ 20,819</u>	<u>\$ 6,609</u>

**Note 7 — Share-Based Compensation**

The Company grants share-based awards under the 2004 Employee and Director Equity-Based Compensation Plan (“2004 Plan”), which provides long-term incentive compensation to employees and directors consisting of: stock appreciation rights (“SARs”), stock options, performance-based restricted stock units, time-vested restricted stock units and other stock awards.

The fair value of share-based payments is recognized as compensation expense in net income. The amounts and location of compensation cost relating to share-based payments included in the consolidated statements of income is as follows:

(Millions of dollars)	2016	2015	2014
Cost of products sold	\$ 29	\$ 23	\$ 23
Selling and administrative expense	106	82	74
Research and development expense	22	17	16
Acquisitions and other restructurings	39	44	—
	<u>\$ 196</u>	<u>\$ 166</u>	<u>\$ 113</u>

The associated income tax benefit recognized was \$69 million, \$59 million and \$40 million in fiscal years 2016, 2015 and 2014, respectively.

In 2015, certain pre-acquisition equity awards of CareFusion were converted into BD restricted stock awards or BD stock options with accelerated vesting terms at the acquisition date. In addition, as an incentive to encourage post-acquisition

**Notes to Consolidated Financial Statements — (Continued)**  
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employee retention, certain pre-acquisition equity awards of CareFusion were converted into either BD restricted stock awards or BD stock options, as applicable, as of the acquisition date, with substantially the same terms and conditions as were applicable under such CareFusion awards immediately prior to the acquisition date. The compensation expense associated with these replacement awards was recorded in *Acquisitions and other restructurings*.

**Stock Appreciation Rights**

SARs represent the right to receive, upon exercise, shares of common stock having a value equal to the difference between the market price of common stock on the date of exercise and the exercise price on the date of grant. SARs vest over a four-year period and have a ten-year term. The fair value was estimated on the date of grant using a lattice-based binomial option valuation model that uses the following weighted-average assumptions:

	2016	2015	2014
Risk-free interest rate	2.17%	2.20%	2.31%
Expected volatility	19.0%	19.0%	19.0%
Expected dividend yield	1.76%	1.78%	2.00%
Expected life	7.6 years	7.6 years	7.8 years
Fair value derived	\$27.69	\$24.82	\$19.90

Expected volatility is based upon historical volatility for the Company's common stock and other factors. The expected life of SARs granted is derived from the output of the lattice-based model, using assumed exercise rates based on historical exercise and termination patterns, and represents the period of time that SARs granted are expected to be outstanding. The risk-free interest rate used is based upon the published U.S. Treasury yield curve in effect at the time of grant for instruments with a similar life. The dividend yield is based upon the most recently declared quarterly dividend as of the grant date. The total intrinsic value of SARs exercised during 2016, 2015 and 2014 was \$148 million, \$96 million and \$69 million, respectively. The Company issued 919 thousand shares during 2016 to satisfy the SARs exercised. The actual tax benefit realized during 2016, 2015 and 2014 for tax deductions from SAR exercises totaled \$52 million, \$34 million and \$26 million, respectively. The total fair value of SARs vested during 2016, 2015 and 2014 was \$24 million, \$22 million and \$25 million, respectively.

A summary of SARs outstanding as of September 30, 2016 and changes during the year then ended is as follows:

	SARs (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (Millions of dollars)
Balance at October 1	7,264	\$ 87.07		
Granted	1,660	150.12		
Exercised	(1,740)	75.70		
Forfeited, canceled or expired	(158)	129.98		
Balance at September 30	7,027	\$ 103.83	6.34	\$ 533
Vested and expected to vest at September 30	6,743	\$ 102.57	6.26	\$ 520
Exercisable at September 30	4,192	\$ 83.58	4.98	\$ 403

**Stock Options**

The Company has not granted stock options since 2005. As previously discussed, certain pre-acquisition equity awards of CareFusion were converted on March 17, 2015 into BD stock options with accelerated vesting terms. A summary of stock options outstanding as of September 30, 2016 and changes during the year then ended is as follows:

**Notes to Consolidated Financial Statements — (Continued)**  
**Becton, Dickinson and Company**

	Stock Options (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (Millions of dollars)
Balance at October 1 (A)	1,139	\$ 79.47		
Exercised	(632)	79.27		
Forfeited, canceled or expired	(12)	68.40		
Balance at September 30	495	\$ 79.99	3.41	\$ 49
Vested at September 30	490	\$ 79.78	3.39	\$ 49
Exercisable at September 30	452	\$ 77.72	3.27	\$ 46

(A) Represents options granted upon the conversion of pre-acquisition equity awards of CareFusion, as previously discussed.

Cash received from the exercising of stock options in 2016, 2015 and 2014 was \$50 million, \$75 million and \$17 million, respectively. The actual tax benefit realized for tax deductions from stock option exercises totaled \$17 million, \$20 million and \$7 million, respectively. The total intrinsic value of stock options exercised during the years 2016, 2015 and 2014 was \$51 million, \$52 million and \$21 million, respectively. The total fair value of stock options vested during 2016 and 2015 was \$11 million and \$59 million, respectively. No stock options vested during 2014.

**Performance-Based Restricted Stock Units**

Performance-based restricted stock units cliff vest three years after the date of grant. These units are tied to the Company's performance against pre-established targets over a three-year performance period. The performance measures for fiscal years 2016, 2015 and 2014 were relative total shareholder return (measures the Company's stock performance during the performance period against that of peer companies) and average annual return on invested capital. Under the Company's long-term incentive program, the actual payout under these awards may vary from zero to 200% of an employee's target payout, based on the Company's actual performance over the three-year performance period. The fair value is based on the market price of the Company's stock on the date of grant. Compensation cost initially recognized assumes that the target payout level will be achieved and is adjusted for subsequent changes in the expected outcome of performance-related conditions. For units for which the performance conditions are modified after the date of grant, any incremental increase in the fair value of the modified units, over the original units, is recorded as compensation expense on the date of the modification for vested units, or over the remaining performance period for units not yet vested.

A summary of performance-based restricted stock units outstanding as of September 30, 2016 and changes during the year then ended is as follows:

	Stock Units (in thousands)	Weighted Average Grant Date Fair Value (A)
Balance at October 1	1,139	\$ 115.52
Granted	507	153.73
Distributed	(193)	72.14
Forfeited or canceled	(340)	90.08
Balance at September 30(B)	1,112	\$ 148.27
Expected to vest at September 30(C)	705	\$ 147.79

(A) Reflects an increase in fair value which resulted from a modification of performance conditions approved during the first quarter of 2016.

(B) Based on 200% of target payout.

(C) Net of expected forfeited units and units in excess of the expected performance payout of 77 thousand and 329 thousand shares, respectively.

The weighted average grant date fair value of performance-based restricted stock units granted during the years 2015 and 2014, based upon the modification of performance conditions noted above, was \$156.65 and \$133.09, respectively. The total fair value of performance-based restricted stock units vested during 2016, 2015 and 2014 was \$22 million, \$16 million and \$10 million, respectively.

**Notes to Consolidated Financial Statements — (Continued)**  
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million, respectively. At September 30, 2016, the weighted average remaining vesting term of performance-based restricted stock units is 1.27 years.

***Time-Vested Restricted Stock Units***

Time-vested restricted stock unit awards granted after January 2015 vest on a graded basis over a three-year period. Time-vested restricted stock units granted before January 2015 cliff vest three years after the date of grant, except for certain key executives of the Company, including the executive officers, for which such units generally vest one year following the employee's retirement. The related share-based compensation expense is recorded over the requisite service period, which is the vesting period or in the case of certain key executives is based on retirement eligibility. The fair value of all time-vested restricted stock units is based on the market value of the Company's stock on the date of grant.

A summary of time-vested restricted stock units outstanding as of September 30, 2016 and changes during the year then ended is as follows:

	Stock Units (in thousands)	Weighted Average Grant Date Fair Value
Balance at October 1	3,067	\$ 101.88
Granted	945	145.57
Distributed	(879)	87.87
Forfeited or canceled	(549)	99.36
Balance at September 30	2,584	\$ 123.16
Expected to vest at September 30	2,414	\$ 122.11

The weighted average grant date fair value of time-vested restricted stock units granted during the years 2015 and 2014 was \$136.30 and \$102.74, respectively. The total fair value of time-vested restricted stock units vested during 2016, 2015 and 2014 was \$114 million, \$181 million and \$45 million, respectively. At September 30, 2016, the weighted average remaining vesting term of the time-vested restricted stock units is 1 year.

The amount of unrecognized compensation expense for all non-vested share-based awards as of September 30, 2016, is approximately \$182 million, which is expected to be recognized over a weighted-average remaining life of approximately 1.93 years. Included in the unrecognized compensation expense is \$9 million associated with the CareFusion replacement awards previously described. As of September 30, 2016, there were approximately 597 thousand of such replacement awards outstanding.

At September 30, 2016, 10.6 million shares were authorized for future grants under the 2004 Plan. The Company has a policy of satisfying share-based payments through either open market purchases or shares held in treasury. At September 30, 2016, the Company has sufficient shares held in treasury to satisfy these payments.

***Other Stock Plans***

The Company has a Stock Award Plan, which allows for grants of common shares to certain key employees. Distribution of 25% or more of each award is deferred until after retirement or involuntary termination, upon which the deferred portion of the award is distributable in five equal annual installments. The balance of the award is distributable over five years from the grant date, subject to certain conditions. In February 2004, this plan was terminated with respect to future grants upon the adoption of the 2004 Plan. At September 30, 2016 and 2015, awards for 43 thousand and 50 thousand shares, respectively, were outstanding.

The Company has a Directors' Deferral Plan, which provides a means to defer director compensation, from time to time, on a deferred stock or cash basis. As of September 30, 2016, 121 thousand shares were held in trust, of which three thousand shares represented Directors' compensation in 2016, in accordance with the provisions of the plan. Under this plan, which is unfunded, directors have an unsecured contractual commitment from the Company.

The Company also has a Deferred Compensation Plan that allows certain highly-compensated employees, including executive officers, to defer salary, annual incentive awards and certain equity-based compensation. As of September 30, 2016, 354 thousand shares were issuable under this plan.

**Notes to Consolidated Financial Statements — (Continued)**  
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**Note 8 — Benefit Plans**

The Company has defined benefit pension plans covering certain employees in the United States and certain foreign locations. The Company also provides certain postretirement healthcare and life insurance benefits to qualifying domestic retirees. Other postretirement benefit plans in foreign countries are not material. The measurement date used for the Company's employee benefit plans is September 30.

Effective April 1, 2014, the Company replaced its current post-65 group medical coverage with a new approach for retirees age 65 and older and their eligible dependents to access post-65 retiree medical and prescription drug coverage in the U.S. Such changes were communicated to active employees and retirees in early January 2014 and as such, the Company remeasured its U.S. postretirement healthcare benefit plan as of January 1, 2014. The impact of this plan change and remeasurement was immaterial to the Company's consolidated financial results. The plan design changes included, among other modifications, a replacement of the Company-sponsored healthcare coverage program for post-65 retirees with contributions to a health reimbursement account that can be used to purchase coverage through a Medicare insurance exchange.

Net pension and other postretirement cost for the years ended September 30 included the following components:

(Millions of dollars)	Pension Plans			Other Postretirement Benefits		
	2016	2015	2014	2016	2015	2014
Service cost	\$ 81	\$ 77	\$ 71	\$ 3	\$ 3	\$ 3
Interest cost	72	87	93	5	7	9
Expected return on plan assets	(109)	(123)	(126)	—	—	—
Amortization of prior service credit	(15)	(15)	(15)	(5)	(5)	(4)
Amortization of loss	77	68	49	2	3	2
Settlements	7	—	3	—	—	—
<b>Net pension and postretirement cost</b>	<b>\$ 113</b>	<b>\$ 93</b>	<b>\$ 74</b>	<b>\$ 5</b>	<b>\$ 9</b>	<b>\$ 10</b>

The amounts provided above for amortization of prior service credit and amortization of loss represent the reclassifications of prior service credits and net actuarial losses that were recognized in *Accumulated other comprehensive income (loss)* in prior periods. Net pension cost attributable to foreign plans included in the preceding table was \$35 million, \$32 million and \$25 million in 2016, 2015 and 2014, respectively.

The settlement losses recorded in 2016 and 2014 primarily included lump sum benefit payments associated with the Company's U.S. supplemental pension plan. The Company recognizes pension settlements when payments from the supplemental plan exceed the sum of service and interest cost components of net periodic pension cost associated with this plan for the fiscal year.

**Notes to Consolidated Financial Statements — (Continued)**  
**Becton, Dickinson and Company**

The change in benefit obligation, change in fair value of plan assets, funded status and amounts recognized in the Consolidated Balance Sheets for these plans were as follows:

(Millions of dollars)	Pension Plans		Other Postretirement Benefits	
	2016	2015	2016	2015
<b>Change in benefit obligation:</b>				
Beginning obligation	\$ 2,426	\$ 2,366	\$ 186	\$ 201
Service cost	81	77	3	3
Interest cost	72	87	5	7
Plan amendments	—	(2)	(1)	—
Benefits paid	(116)	(138)	(17)	(18)
Benefit obligations assumed in acquisition	—	67	—	—
Actuarial loss (gain)	302	49	3	(11)
Settlements	(15)	—	—	—
Other, includes translation	(30)	(81)	4	3
Benefit obligation at September 30	<u>\$ 2,719</u>	<u>\$ 2,426</u>	<u>\$ 184</u>	<u>\$ 186</u>
<b>Change in fair value of plan assets:</b>				
Beginning fair value	\$ 1,732	\$ 1,829	\$ —	\$ —
Actual return on plan assets	131	(21)	—	—
Employer contribution	145	65	—	—
Benefits paid	(116)	(138)	—	—
Plan assets acquired in acquisition	—	54	—	—
Settlements	(15)	—	—	—
Other, includes translation	(21)	(58)	—	—
Plan assets at September 30	<u>\$ 1,855</u>	<u>\$ 1,732</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Funded Status at September 30:</b>				
Unfunded benefit obligation	<u>\$ (864)</u>	<u>\$ (694)</u>	<u>\$ (184)</u>	<u>\$ (186)</u>
<b>Amounts recognized in the Consolidated Balance Sheets at September 30:</b>				
Other	\$ 5	\$ 7	\$ —	\$ —
Salaries, wages and related items	(12)	(10)	(15)	(15)
Long-term Employee Benefit Obligations	(857)	(691)	(169)	(171)
Net amount recognized	<u>\$ (864)</u>	<u>\$ (694)</u>	<u>\$ (184)</u>	<u>\$ (186)</u>
<b>Amounts recognized in Accumulated other comprehensive income (loss) before income taxes at September 30:</b>				
Prior service credit	87	103	33	37
Net actuarial loss	(1,307)	(1,124)	(32)	(30)
Net amount recognized	<u>\$ (1,221)</u>	<u>\$ (1,021)</u>	<u>\$ 1</u>	<u>\$ 7</u>

Foreign pension plan assets at fair value included in the preceding table were \$624 million and \$575 million at September 30, 2016 and 2015, respectively. The foreign pension plan projected benefit obligations were \$951 million and \$780 million at September 30, 2016 and 2015, respectively. The benefit obligations assumed and plan assets acquired during the year ended September 30, 2015 relate to the Company's acquisition of CareFusion. Additional disclosures regarding this acquisition are provided in Note 9.

**Notes to Consolidated Financial Statements — (Continued)**  
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Pension plans with accumulated benefit obligations in excess of plan assets and plans with projected benefit obligations in excess of plan assets consist of the following at September 30:

(Millions of dollars)	Accumulated Benefit Obligation Exceeds the Fair Value of Plan Assets		Projected Benefit Obligation Exceeds the Fair Value of Plan Assets	
	2016	2015	2016	2015
Projected benefit obligation	\$ 2,616	\$ 2,339	\$ 2,682	\$ 2,394
Accumulated benefit obligation	\$ 2,529	\$ 2,265		
Fair value of plan assets	\$ 1,757	\$ 1,650	\$ 1,813	\$ 1,693

The estimated net actuarial loss and prior service credit for pension benefits that will be amortized from *Accumulated other comprehensive income (loss)* into net pension costs over the next fiscal year are expected to be \$(93) million and \$14 million, respectively. The estimated net actuarial loss and prior service credit for other postretirement benefits that will be amortized from *Accumulated other comprehensive income (loss)* into net other postretirement costs over the next fiscal year are expected to be \$(2) million and \$5 million, respectively.

The weighted average assumptions used in determining pension plan information were as follows:

	2016	2015	2014
<b>Net Cost</b>			
Discount rate:			
U.S. plans (A) (B)	4.15%	4.15%	4.95%
Foreign plans	2.84	3.14	3.87
Expected return on plan assets:			
U.S. plans	7.50	7.50	7.75
Foreign plans	5.02	5.45	5.68
Rate of compensation increase:			
U.S. plans (A)	4.25	4.25	4.25
Foreign plans	2.33	2.49	2.46
<b>Benefit Obligation</b>			
Discount rate:			
U.S. plans (C)	3.42	4.15	4.15
Foreign plans	1.70	2.84	3.14
Rate of compensation increase:			
U.S. plans (A)	4.25	4.25	4.25
Foreign plans	2.33	2.33	2.49

(A) The same rates were also used to determine other postretirement and postemployment benefit information.

(B) In 2015 and 2014 the Company calculated the service and interest components utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. Effective September 30, 2015, the Company elected to utilize an approach that discounts the individual expected cash flows using the applicable spot rates derived from the yield curve over the projected cash flow period. The Company accounted for this change as a change in accounting estimate that is inseparable from a change in accounting principle and as such, the change was accounted for prospectively.

(C) The discount rates used to determine other postretirement benefit plan information in fiscal years 2016, 2015 and 2014 were 3.14%, 3.95% and 3.85%, respectively. The discount rates used to determine postemployment benefit plan information in fiscal years 2016, 2015 and 2014 were 3.10%, 3.75% and 3.75%, respectively.

At September 30, 2016 the assumed healthcare trend rates were 6.6%, gradually decreasing to an ultimate rate of 5.0% beginning in 2024. At September 30, 2015 the assumed healthcare trend rates were 6.8% pre and post age 65, gradually decreasing to an ultimate rate of 5.0% beginning in 2024. A one percentage point increase or decrease in assumed healthcare

**Notes to Consolidated Financial Statements — (Continued)**  
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cost trend rates in each year would not materially impact the accumulated postretirement benefit obligation as of September 30, 2016 or the aggregate of the service cost and interest cost components of 2016 annual expense.

***Expected Rate of Return on Plan Assets***

The expected rate of return on plan assets is based upon expectations of long-term average rates of return to be achieved by the underlying investment portfolios. In establishing this assumption, the Company considers many factors, including historical assumptions compared with actual results; benchmark data; expected returns on various plan asset classes, as well as current and expected asset allocations.

***Expected Funding***

The Company's funding policy for its defined benefit pension plans is to contribute amounts sufficient to meet legal funding requirements, plus any additional amounts that may be appropriate considering the funded status of the plans, tax consequences, the cash flow generated by the Company and other factors. The Company made a discretionary contribution of \$100 million to its U.S. pension plan in September 2016. The Company does not anticipate any significant required contributions to its pension plans in 2017.

Expected benefit payments are as follows:

(Millions of dollars)	Pension Plans	Other Postretirement Benefits
2017	\$ 169	\$ 15
2018	163	15
2019	174	15
2020	172	14
2021	178	14
2022-2026	883	61

As previously discussed, the Company replaced its Company-sponsored healthcare coverage program for post-65 retirees with a health reimbursement plan on April 1, 2014. As such, the Company no longer receives subsidies under the Medicare Prescription Drug Improvement and Modernization Act of 2003.

***Investments***

The Company's primary objective is to achieve returns sufficient to meet future benefit obligations. It seeks to generate above market returns by investing in more volatile asset classes such as equities while at the same time controlling risk through diversification in non-correlated asset classes and through allocations to more stable asset classes like fixed income.

***U.S. Plans***

The Company's U.S. pension plans comprise 66% of total benefit plan investments, based on September 30, 2016 market values and have a target asset mix of 35% fixed income, 34% diversifying investments and 31% equities. This mix was established based on an analysis of projected benefit payments and estimates of long-term returns, volatilities and correlations for various asset classes. The asset allocations to diversifying investments include high-yield bonds, hedge funds, real estate, infrastructure, commodities, leveraged loans and emerging markets bonds.

The actual portfolio investment mix may, from time to time, deviate from the established target mix due to various factors such as normal market fluctuations, the reliance on estimates in connection with the determination of allocations and normal portfolio activity such as additions and withdrawals. Rebalancing of the asset portfolio on a quarterly basis is required to address any allocations that deviate from the established target allocations in excess of defined allowable ranges. The target allocations are subject to periodic review, including a review of the asset portfolio's performance, by the named fiduciary of the plans. Any tactical deviations from the established asset mix require the approval of the named fiduciary.

The U.S. plans may enter into both exchange traded and non-exchange traded derivative transactions in order to manage interest rate exposure, volatility, term structure of interest rates, and sector and currency exposures within the fixed income portfolios. The Company has established minimum credit quality standards for counterparties in such transactions.

**Notes to Consolidated Financial Statements — (Continued)**  
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The following table provides the fair value measurements of U.S. plan assets, as well as the measurement techniques and inputs utilized to measure fair value of these assets, at September 30, 2016 and 2015. The categorization of fund investments is based upon the categorization of these funds' underlying assets.

(Millions of dollars)	Total U.S. Plan Asset Balances at September 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Fixed Income:</b>				
Mortgage and asset-backed securities	\$ 169	\$ —	\$ 169	\$ —
Corporate bonds	197	68	129	—
Government and agency-U.S.	103	67	36	—
Government and agency-Foreign	90	52	37	—
Equity securities	459	61	398	—
Cash and cash equivalents	89	89	—	—
Other	124	33	90	1
<b>Fair value of plan assets</b>	<b>\$ 1,231</b>	<b>\$ 371</b>	<b>\$ 859</b>	<b>\$ 1</b>

(Millions of dollars)	Total U.S. Plan Asset Balances at September 30, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Fixed Income:</b>				
Mortgage and asset-backed securities	\$ 192	\$ —	\$ 192	\$ —
Corporate bonds	240	100	139	—
Government and agency-U.S.	78	53	24	—
Government and agency-Foreign	95	46	49	—
Equity securities	335	75	260	—
Cash and cash equivalents	96	96	—	—
Other	123	30	91	2
<b>Fair value of plan assets</b>	<b>\$ 1,157</b>	<b>\$ 401</b>	<b>\$ 755</b>	<b>\$ 2</b>

Fixed Income Securities

U.S. pension plan assets categorized above as fixed income securities include fund investments comprised of mortgage-backed, corporate, government and agency and asset-backed instruments. Mortgage-backed securities consist of residential mortgage pass-through certificates. Investments in corporate bonds are diversified across industry and sector and consist of investment-grade, as well as high-yield debt instruments. U.S. government investments consist of obligations of the U.S. Treasury, other U.S. government agencies, state governments and local municipalities. Assets categorized as foreign government and agency debt securities included investments in developed and emerging markets.

The values of fixed income investments classified within Level 1 are based on the closing price reported on the major market on which the investments are traded. A portion of the fixed income instruments classified within Level 2 are valued based upon estimated prices from independent vendors' pricing models and these prices are derived from market observable sources including: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers and other market-related data. Values of other instruments classified within Level 2 are based on the corroborated net asset value provided by the fund administrator, which is based on the value of the underlying assets owned by the fund, less its liabilities and then divided by the number of fund units outstanding.

Equity Securities

U.S. pension plan assets categorized as equity securities consist of fund investments in publicly-traded U.S. and non-U.S. equity securities. In order to achieve appropriate diversification, these portfolios are invested across market sectors, investment styles, capitalization weights and geographic regions. The values of equity securities classified within Level 1 are based on the closing price reported on the major market on which the investments are traded. The values of equity security investments classified within Level 2 are based on the corroborated net asset value provided by the fund administrator.

**Notes to Consolidated Financial Statements — (Continued)**  
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Cash and Cash Equivalents

A portion of the U.S. plans' assets consists of investments in cash and cash equivalents, primarily to accommodate liquidity requirements relating to trade settlement and benefit payment activity, and the values of these assets are based upon quoted market prices.

Other Securities

Other U.S. pension plan assets include fund investments comprised of underlying assets of real estate, infrastructure, commodities and hedge funds. The values of such instruments classified within Level 1 are based on the closing price reported on the major market on which the investments are traded. Investments classified within Level 2 are valued based on the net asset value provided by the fund administrator when such net asset value represents the price at which the pension plan assets could be redeemed at period end. Investments classified within Level 3 are valued based on the net asset value provided by the fund administrator when the pension plan assets could not be redeemed at period end (for example, if the assets are subject to a lock-up period). The activity related to such assets was immaterial for the years ended September 30, 2016 and 2015.

Foreign Plans

Foreign plan assets comprise 34% of the Company's total benefit plan assets, based on market value at September 30, 2016. Such plans have local independent fiduciary committees, with responsibility for development and oversight of investment policy, including asset allocation decisions. In making such decisions, consideration is given to local regulations, investment practices and funding rules.

The following table provides the fair value measurements of foreign plan assets, as well as the measurement techniques and inputs utilized to measure fair value of these assets, at September 30, 2016 and 2015.

(Millions of dollars)	Total Foreign Plan Asset Balances at September 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed Income:				
Corporate bonds	\$ 34	\$ —	\$ 34	\$ —
Government and agency-U.S.	5	2	3	—
Government and agency-Foreign	119	73	46	—
Other fixed income	51	46	5	—
Equity securities	228	214	14	—
Cash and cash equivalents	13	13	—	—
Real estate	17	—	17	—
Insurance contracts	102	—	—	102
Other	57	43	14	—
Fair value of plan assets	<u>\$ 624</u>	<u>\$ 391</u>	<u>\$ 132</u>	<u>\$ 102</u>

**Notes to Consolidated Financial Statements — (Continued)**  
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(Millions of dollars)	Total Foreign Plan Asset Balances at September 30, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Fixed Income:</b>				
Corporate bonds	\$ 33	\$ 3	\$ 30	\$ —
Government and agency-U.S.	1	1	—	—
Government and agency-Foreign	101	65	36	—
Other fixed income	48	46	2	—
Equity securities	206	187	19	—
Cash and cash equivalents	8	8	—	—
Real estate	13	—	13	—
Insurance contracts	90	—	—	90
Other	74	53	21	—
<b>Fair value of plan assets</b>	<b>\$ 575</b>	<b>\$ 364</b>	<b>\$ 121</b>	<b>\$ 90</b>

Fixed Income Securities

Fixed income investments held by foreign pension plans include corporate, U.S. government and non-U.S. government securities. The values of fixed income securities classified within Level 1 are based on the closing price reported on the major market on which the investments are traded. Values of investments classified within Level 2 are based upon estimated prices from independent vendors' pricing models and these prices are derived from market observable sources.

Equity Securities

Equity securities included in the foreign plan assets consist of publicly-traded U.S. and non-U.S. equity securities. The values of equity securities classified within Level 1 are based on the closing price reported on the major market on which the investments are traded. The values of equity security investments classified within Level 2 are based on the corroborated net asset value provided by the fund administrator.

Other Securities

The foreign plans hold a portion of assets in cash and cash equivalents, in order to accommodate liquidity requirements and the values are based upon quoted market prices. Real estate investments consist of investments in funds holding an interest in real properties and the corresponding values represent the estimated fair value based on the fair value of the underlying investment value or cost, adjusted for any accumulated earnings or losses. The values of insurance contracts approximately represent cash surrender value. Other investments include fund investments for which values are based upon either quoted market prices or market observable sources.

**Notes to Consolidated Financial Statements — (Continued)**  
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The following table summarizes the changes, for the years ended September 30, 2016 and 2015, in the fair value of foreign pension assets measured using Level 3 inputs:

(Millions of dollars)	Insurance Contracts
Balance at September 30, 2014	\$ 78
Actual return on plan assets:	
Relating to assets held at September 30, 2014	4
Purchases, sales and settlements, net	16
Transfers in from other categories	1
Exchange rate changes	(9)
Balance at September 30, 2015	\$ 90
Actual return on plan assets:	
Relating to assets held at September 30, 2015	8
Purchases, sales and settlements, net	2
Exchange rate changes	1
Balance at September 30, 2016	\$ 102

**Postemployment Benefits**

The Company utilizes a service-based approach in accounting for most of its postemployment benefits. Under this approach, the costs of benefits are recognized over the eligible employees' service period. The Company has elected to delay recognition of actuarial gains and losses that result from changes in assumptions.

Postemployment benefit costs for the years ended September 30 included the following components:

(Millions of dollars)	2016	2015	2014
Service cost	\$ 23	\$ 18	\$ 20
Interest cost	4	6	7
Amortization of prior service credit	—	(2)	(2)
Amortization of loss	13	18	21
Net postemployment benefit cost	\$ 40	\$ 42	\$ 47

The changes in benefit obligation for these postemployment benefits were as follows:

(Millions of dollars)	Postemployment benefits	
	2016	2015
<b>Change in benefit obligation:</b>		
Beginning obligation	\$ 163	\$ 184
Service cost	23	18
Interest cost	4	6
Benefits paid	(21)	(25)
Actuarial (gain) loss	—	(22)
Benefit obligation at September 30	\$ 168	\$ 163

The postemployment benefit plan obligations as of September 30, 2016 and 2015 were unfunded. The amounts recognized in *Accumulated other comprehensive income (loss)* before income taxes for the net actuarial loss were \$94 million and \$107 million at September 30, 2016 and 2015, respectively. The estimated net actuarial loss that will be amortized from the *Accumulated other comprehensive income (loss)* into postemployment benefit cost over the next fiscal year is \$11 million.

During fiscal years 2016 and 2015, the Company recognized charges of \$40 million and \$126 million, respectively, for employee termination costs in connection with its acquisition of CareFusion. Additional disclosures regarding the CareFusion acquisition are provided in Note 9 and additional disclosures regarding the Company's restructuring activities that relate to this acquisition are provided in Note 11. During the fourth quarter of fiscal year 2014, the Company recognized a \$36 million charge associated with unusually broad and significant workforce reduction actions that were not contemplated when the postemployment benefit plan obligation was measured on September 30, 2013.

**Notes to Consolidated Financial Statements — (Continued)**  
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***Savings Incentive Plan***

The Company has voluntary defined contribution plans covering eligible employees in the United States which provide for a Company match. The cost of these plans was \$61 million in 2016, \$54 million in 2015 and \$39 million in 2014. The fiscal year 2015 increase in the cost associated with these plans is attributable to the Company's acquisition of CareFusion. The Company guarantees employees' contributions to the fixed income fund of one of these plans, which typically consists of high quality bonds, including U.S. government securities, corporate bonds, mortgage-backed and asset-backed securities and cash equivalents. The amount guaranteed was \$256 million at September 30, 2016.

**Note 9 – Acquisitions**

***CareFusion Corporation***

*Overview of Transaction and Consideration Transferred*

On March 17, 2015, pursuant to a definitive agreement announced on October 5, 2014, the Company acquired a 100% interest in CareFusion, a global medical technology company with a comprehensive portfolio of products in the areas of medication management, infection prevention, operating room and procedural effectiveness, and respiratory care, to create a global leader in medication management and patient safety solutions. Under the terms of the transaction, CareFusion shareholders received \$49.00 in cash and 0.0777 of a share of the Company for each share of CareFusion. The value of the total consideration transferred for accounting purposes was based on the closing share price of the Company's stock on the last trading day prior to the closing date of the transaction. The fair value of consideration transferred was \$12.538 billion and consisted of the components below.

<b>(Millions of dollars)</b>	
Cash consideration	\$ 10,085
Noncash consideration-fair value of shares issued	2,269
Noncash consideration-fair value of stock options and other equity awards	184
Total consideration transferred	<u>\$ 12,538</u>

The acquisition date fair value of the Company's ordinary shares issued to CareFusion shareholders was calculated per the following (shares in millions):

<b>(Millions of dollars)</b>	
Total CareFusion shares outstanding	205.3
Conversion factor	0.0777
Number of the Company's shares issued	15.9
Closing price of the Company's stock on March 16, 2015	\$ 142.29
Fair value of the Company's issued shares	<u>\$ 2,269</u>

Additional disclosures regarding the financing arrangements the Company entered into to fund the cash portion of the consideration transferred relative to this acquisition are provided in Note 15.

**Notes to Consolidated Financial Statements — (Continued)**  
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*Allocation of Consideration Transferred to Net Assets Acquired*

The acquisition was accounted for under the acquisition method of accounting for business combinations. The allocations of the purchase price below represent the estimated fair values of assets acquired and liabilities assumed. All of the assets acquired and liabilities assumed in this acquisition have been allocated to the Company's Medical segment.

<b>(Millions of dollars)</b>	
Cash and equivalents	\$ 1,903
Trade receivables, net	526
Inventories	818
Net investment in sales-type leases	1,206
Property, plant and equipment	497
Customer relationships	3,360
Developed technology	2,510
Trademarks	380
Other intangible assets	185
Other assets	278
<b>Total identifiable assets acquired</b>	<b>11,663</b>
Long-term debt	(2,181)
Deferred tax liabilities	(1,888)
Other liabilities	(1,306)
<b>Total liabilities assumed</b>	<b>(5,374)</b>
Net identifiable assets acquired	6,289
Goodwill	6,249
<b>Net assets acquired</b>	<b>\$ 12,538</b>

*Net Investment in Sales-Type Leases Acquired*

The fair value of the net investment in sales-type leases acquired was based upon a determination that the interest rate implicit in the lease contract portfolio represented a market interest rate as well as a determination that the residual value of the overall lease contract portfolio represents fair market value.

*Identifiable Intangible Assets Acquired*

The customer relationships asset acquired represented CareFusion's contractual relationships with its customers. The fair value of these customer relationships was determined based on the present value of projected cash flows utilizing an income approach with a risk-adjusted discount rate of 11%. The amortization period of the customer relationships was determined to be 15 years and this period corresponds with the weighted average of lives determined for the product technology which underlies the customer contracts.

The developed technology assets acquired represented CareFusion's developed technologies in the areas of medication management, infection prevention, operating room and procedural effectiveness, and respiratory care. The technologies' fair values were determined based on the present value of projected cash flows utilizing an income approach with a risk-adjusted discount rate of 11%. The technologies will be amortized over a weighted-average amortization period of 12 years, which is the weighted average period over which the technologies are expected to generate substantial cash flows. Assets of approximately \$117 million have been reclassified as held for sale on the consolidated balance sheet in connection with the Company's agreement to sell the Respiratory Solutions business. Additional disclosures regarding this transaction are provided in Note 10.

**Notes to Consolidated Financial Statements — (Continued)**  
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The trademark assets acquired represented the value of registered trademarks protecting the intellectual property underlying CareFusion's product technologies. The fair value of the trademarks represents the present value of projected cash flows, specifically the estimated cost savings from not being required to pay royalties for use of these intellectual properties, utilizing an income approach with a risk-adjusted discount rate of 11%. The trademarks will be amortized over a weighted-average amortization period of 22 years, which is the weighted average period over which the trademarks are expected to generate substantial cash flows.

Other intangible assets acquired included \$110 million relating to acquired in-process research and development assets representing development projects relating to various product technologies. Assets of approximately \$80 million have been reclassified as held for sale on the consolidated balance sheet in connection with the Company's agreement to sell the Respiratory Solutions business, as discussed above. The probability of success associated with the remaining projects, based upon the applicable technological and commercial risk, was assumed to be 80% to 85%, depending upon the project. The projects' fair values were determined based on the present value of projected cash flows utilizing an income approach with a risk-adjusted discount rate of 12%. The launches of the various projects are expected to occur from 2018 to 2022.

*Other Liabilities Assumed*

The balance of other liabilities assumed included a \$36 million liability recorded due to a recall relating to AVEA® ventilators, which is one of CareFusion's respiratory solutions products. The liability represented the costs associated with voluntary field corrections for a portion of the installed base of ventilators.

*Goodwill*

Goodwill typically results through expected synergies from combining operations of an acquiree and an acquirer, as well as from intangible assets that do not qualify for separate recognition. The goodwill recognized as a result of this acquisition includes, among other things, the value of combining the complementary product portfolios of the Company and CareFusion to offer integrated medication management solutions and smart devices. Synergies are expected from combining the two companies' products to meet unmet needs in hospitals, hospital pharmacies and alternate sites of care to increase efficiencies, reduce medication administration errors and improve patient and healthcare worker safety. Synergies are also expected to result from solid positions in patient safety to maximize outcomes in infection prevention, respiratory care, and acute care procedural effectiveness. No portion of goodwill from this acquisition was deductible for tax purposes.

*Financing, Transaction, Integration and Restructuring Costs*

The Company incurred financing, transaction, integration and restructuring costs in 2016 and 2015 which related to the CareFusion acquisition. Discussion regarding the financing costs relating to the CareFusion acquisition are provided in Note 15. Transaction costs of \$59 million for the year ended September 30, 2015 were recorded as *Acquisitions and other restructurings*, and consisted of legal, advisory and other costs. *Acquisitions and other restructurings* also included \$192 million and \$95 million of integration costs in 2016 and 2015, respectively, which were substantially associated with the CareFusion acquisition as the Company has been executing its integration plans to combine businesses, sales organizations, systems and locations. The Company additionally incurred restructuring costs in 2016 and 2015 relating to CareFusion and portfolio rationalization. See Note 11 for further discussion of these restructuring activities.

*Unaudited Pro Forma Information*

The acquisition was accounted for under the acquisition method of accounting for business combinations. The operating activities from the acquisition date through March 31, 2015 were not material to the Company's consolidated results of operations. As such, CareFusion's operating results were included in the Company's consolidated results of operations beginning on April 1, 2015. *Revenues* and *Operating Income* for the year ended September 30, 2016 are no longer specifically identifiable due to the progression of the Company's integration activities. *Revenues* and *Operating Income* for the year ended September 30, 2015 include revenues and operating loss attributable to CareFusion of \$2 billion and \$242 million, respectively.

**Notes to Consolidated Financial Statements — (Continued)**  
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The following table provides the pro forma results for the years ended September 30, 2016, 2015 and 2014 as if CareFusion had been acquired as of October 1, 2013.

(Millions of dollars, except per share data)	2016	2015	2014
Revenues	\$ 12,497	\$ 12,368	\$ 12,288
Net Income	\$ 1,453	\$ 1,276	\$ 1,191
Diluted Earnings per Share	\$ 6.68	\$ 5.92	\$ 5.55

The pro forma results above reflect the following adjustments, which were adjusted for the applicable tax impact to derive the net income amounts above:

- Additional amortization expense related to the fair value of intangible assets acquired;
- Additional depreciation expense related to the fair value of property, plant and equipment acquired;
- Additional interest expense and financing costs associated with the Company's financing arrangements relating to this acquisition, as well as the adjustment to interest expense relating to the fair value of long-term debt assumed;
- Elimination of one-time financing fees, transaction, integration and restructuring costs incurred relative to this acquisition;
- Exclusion of the income statement effects of the fair value adjustments to inventory and deferred revenue obligations acquired as such adjustments are not recurring in nature.

The pro forma results do not include any anticipated cost savings or other effects of the planned integration of CareFusion. Accordingly, the pro forma results above are not necessarily indicative of the results that would have been if the acquisition had occurred on the dates indicated, nor are the pro forma results indicative of results which may occur in the future.

**Other Transactions**

During the first quarter of fiscal year 2015, the Company acquired GenCell Biosystems ("GenCell"), a privately-held Irish biotechnology company that has developed proprietary technologies that address key biological analysis protocols including library preparation of Next Generation Sequencing and genotyping applications. During the second quarter of fiscal year 2015, the Company acquired CRISI, a San Diego-based medical technology company dedicated to improving the safety and delivery of IV injectable medications. During the third quarter of fiscal year 2015, the Company acquired the ARX group of companies ("ARX"), a leading pharmacy automation distributor in Western Europe. During the fourth quarter of fiscal year 2015, the Company acquired Cellular Research, Inc. ("Cellular Research"), a biotechnology research and development company that has developed advanced tools for massively parallel single cell genetic analysis based on their proprietary Molecular Indexing™ technology to enable gene expression profiles from single cells.

During the second quarter of fiscal year 2014, the Company acquired Alverix, Inc. ("Alverix"), a privately-held diagnostic instrument company known for its optoelectronics expertise.

**Note 10 — Divestiture**

**Respiratory Solutions**

In March 2016, the Company signed a definitive agreement to sell 50.1% of its Respiratory Solutions business and form a joint venture with respect to this business. Assets and liabilities held for sale on the consolidated balance sheet at September 30, 2016 include assets and liabilities subject to this agreement of approximately \$578 million and \$189 million, respectively. The Respiratory Solutions business was acquired in the CareFusion acquisition in 2015 and was a component of the Medical segment. The historical financial results for the Respiratory Solutions business have not been classified as a discontinued operation.

Upon closing of the transaction, which occurred on October 3, 2016, the Company transferred the Respiratory Solutions business to a new standalone entity and retains a 49.9% non-controlling interest. The buyer will control the operations and

**Notes to Consolidated Financial Statements — (Continued)**  
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governance of the new entity. The Company will account for its remaining interest in the new standalone entity as an equity method investment and will record, on a one-quarter lag, its share of the new entity's earnings or losses to *Other income (expense), net*. The Company has agreed to various contract manufacturing and certain logistical and transition services agreements with the new entity for a period of up to two years after the sale.

**Note 11 — Business Restructuring Charges**

In connection with the CareFusion acquisition and portfolio rationalization initiatives, the Company incurred restructuring costs which were recorded as *Acquisitions and other restructurings*. Additional disclosures regarding these restructuring activities and the related costs are provided in Notes 7, 8, 9 and 10. Restructuring liability activity in 2016 and 2015 was as follows:

(Millions of dollars)	Employee Termination (A)	Share-Based Compensation (B)	Other (C)	Total
Balance at September 30, 2014	\$ —	\$ —	\$ —	\$ —
Assumed liability	19	—	—	19
Charged to expense	126	44	102	271
Cash payments	(74)	—	(20)	(94)
Non-cash settlements	—	(44)	—	(44)
Other adjustments	(9)	—	(81)	(91)
Balance at September 30, 2015	\$ 62	\$ —	\$ —	\$ 62
Charged to expense	81	39	406	526
Cash payments	(76)	—	(72)	(148)
Non-cash settlements	—	(39)	—	(39)
Other adjustments	—	—	(332)	(332)
Balance at September 30, 2016	<u>\$ 67</u>	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ 69</u>

- (A) Expenses in fiscal year 2016 included \$40 million relating to the CareFusion acquisition as well as \$13 million for employee termination costs resulting from the Company's transition of certain elements of its information technology function to an outsourced model as further disclosed in Note 1. Expenses in fiscal year 2015 were primarily related to the CareFusion acquisition.
- (B) Additional disclosures are provided in Note 7.
- (C) The expenses in fiscal year 2016 primarily reflected a \$214 million non-cash charge recorded to impair capitalized internal-use software assets held for sale as a result of the information technology function transformation efforts discussed above. Expenses in 2016 also included non-cash impairment charges of \$81 million, after-tax, relating to the Company's disposition of certain non-core businesses, including the Company's sale of a majority interest in its Respiratory Solutions business during the first quarter of fiscal year 2017, which is further discussed in Note 10. Expenses recorded in 2015 included non-cash asset impairment charges resulting from the information technology function transformation discussed above.

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**Note 12 — Intangible Assets**

Intangible assets at September 30 consisted of:

(Millions of dollars)	2016		2015	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
<i>Amortized intangible assets</i>				
Customer relationships	\$ 3,360	\$ 339	\$ 3,370	\$ 120
Developed technology	3,409	754	3,487	510
Product rights	125	43	128	35
Trademarks	405	45	405	26
Patents and other	349	254	333	212
Amortized intangible assets	<u>\$ 7,648</u>	<u>\$ 1,435</u>	<u>\$ 7,723</u>	<u>\$ 903</u>
<i>Unamortized intangible assets</i>				
Acquired in-process research and development	\$ 66		\$ 203	
Trademarks	2		2	
Unamortized intangible assets	<u>\$ 68</u>		<u>\$ 205</u>	

The net decrease in developed technology included approximately \$117 million of assets reclassified as held for sale on the consolidated balance sheet in connection with the Respiratory Solutions transaction. This decrease was partly offset by the reclassification to *Developed Technology, Net* of \$57 million, in the fourth quarter of fiscal year 2016, due to the Company's completion of project assets recognized upon its acquisition of GenCell Biosystems. The decrease in acquired in-process research and development assets included this reclassification of completed project assets, as well as approximately \$80 million of assets reclassified as held for sale on the consolidated balance sheet in connection with the Respiratory Solutions transaction. Additional disclosures regarding this divestiture are provided in Note 10.

Intangible amortization expense was \$552 million, \$346 million and \$84 million in 2016, 2015 and 2014, respectively. The estimated aggregate amortization expense for the fiscal years ending September 30, 2017 to 2021 are as follows: 2017 — \$525 million; 2018 — \$515 million; 2019 — \$510 million; 2020 — \$509 million; 2021 — \$504 million.

The following is a reconciliation of goodwill by business segment:

(Millions of dollars)	Medical	Life Sciences	Total
Goodwill as of September 30, 2014	\$ 482	\$ 608	\$ 1,090
Acquisitions	6,585 (A)	130 (B)	6,716
Purchase accounting adjustments/currency translation	(261) (C)	(8)	(269)
Goodwill as of September 30, 2015	\$ 6,807	\$ 730	\$ 7,537
Divestiture	(32)	—	(32)
Purchase accounting adjustments/currency translation	(87) (C)	1	(86)
Goodwill as of September 30, 2016	<u>\$ 6,688</u>	<u>\$ 731</u>	<u>\$ 7,419</u>

(A) Primarily represents goodwill recognized upon the Company's acquisition of CareFusion in the second quarter of fiscal year 2015. Also includes \$22 million of goodwill associated with acquisitions that were immaterial on an individual and aggregate basis. Additional disclosures regarding the Company's acquisitions are provided in Note 9.

(B) Represents goodwill recognized upon the Company's acquisitions of GenCell and Cellular Research.

(C) Primarily represents acquisition accounting adjustments relating to the CareFusion acquisition. Adjustments in 2016 and 2015 of \$94 million and \$219 million, respectively, primarily resulted from adjustment to the deferred tax liability accounts.

**Notes to Consolidated Financial Statements — (Continued)**  
**Becton, Dickinson and Company**

**Note 13 — Derivative Instruments and Hedging Activities**

The Company uses derivative instruments to mitigate certain exposures. The effects these derivative instruments and hedged items have on financial position, financial performance, and cash flows are provided below.

***Foreign Currency Risks and Related Strategies***

The Company has foreign currency exposures throughout Europe, Greater Asia, Canada and Latin America. Transactional currency exposures that arise from entering into transactions, generally on an intercompany basis, in non-hyperinflationary countries that are denominated in currencies other than the functional currency are mitigated primarily through the use of forward contracts and currency options. Hedges of the transactional foreign exchange exposures resulting primarily from intercompany payables and receivables are undesignated hedges. As such, the gains or losses on these instruments are recognized immediately in income. The offset of these gains or losses against the gains and losses on the underlying hedged items, as well as the hedging costs associated with the derivative instruments, is recognized in *Other income (expense), net*.

The total notional amounts of the Company's outstanding foreign exchange contracts as of September 30, 2016 and 2015 were \$2.3 billion and \$2.2 billion, respectively.

***Interest Rate Risks and Related Strategies***

The Company's primary interest rate exposure results from changes in U.S. dollar interest rates. The Company's policy is to manage interest cost using a mix of fixed and variable rate debt. The Company periodically uses interest rate swaps to manage such exposures. Under these interest rate swaps, the Company exchanges, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated as either fair value or cash flow hedges.

For interest rate swaps designated as fair value hedges (i.e., hedges against the exposure to changes in the fair value of an asset or a liability or an identified portion thereof that is attributable to a particular risk), changes in the fair value of the interest rate swaps offset changes in the fair value of the fixed rate debt due to changes in market interest rates.

Changes in the fair value of the interest rate swaps designated as cash flow hedges (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk) are offset by amounts recorded in *Other comprehensive income (loss)*. If interest rate derivatives designated as cash flow hedges are terminated, the balance in *Accumulated other comprehensive income (loss)* attributable to those derivatives is reclassified into earnings over the remaining life of the hedged debt. The net realized loss related to terminated interest rate swaps expected to be reclassified and recorded in *Interest expense* within the next 12 months is \$5 million, net of tax.

The total notional value of the Company's outstanding forward starting interest rate swaps designated as cash flow hedges was \$500 million at September 30, 2016. The Company entered into these contracts in March and April 2016 to mitigate its exposure to interest rate risk. The Company had no outstanding interest rate swaps designated as cash flow hedges as of September 30, 2015.

The total notional amount of the Company's outstanding interest rate swaps designated as fair value hedges was \$375 million at September 30, 2016 and 2015. The outstanding swaps represent fixed-to-floating interest rate swap agreements the Company entered into, in March and September 2014, to convert the interest payments on \$375 million of the Company's 3.125% notes, due November 8, 2021, from the fixed rate to a floating interest rate based on LIBOR. Changes in the fair value of the interest rate swaps offset changes in the fair value of the fixed rate debt. The gains recorded on these fair value hedges, which were offset by losses recorded to the underlying debt instrument, are provided below.

(Millions of dollars)

Gains on fair value hedges

2016	2015	2014
\$ 4	\$ 19	\$ 3

***Other Risk Exposures***

The Company purchases resins, which are oil-based components used in the manufacture of certain products. Significant increases in world oil prices that lead to increases in resin purchase costs could impact future operating results. From time to time, the Company has managed price risks associated with these commodity purchases through commodity derivative forward contracts. The Company had no outstanding commodity derivative forward contracts at September 30, 2016. The total notional amount of cash-settled forward contracts entered into in April 2015 to hedge global resin purchase volume throughout 2015 and 2016 was 49 million pounds (\$25 million) at September 30, 2015.

**Notes to Consolidated Financial Statements — (Continued)**  
**Becton, Dickinson and Company**

**Effects on Consolidated Balance Sheets**

The location and amounts of derivative instrument fair values in the consolidated balance sheet are segregated below between designated, qualifying hedging instruments and ones that are not designated for hedge accounting.

(Millions of dollars)	September 30, 2016	September 30, 2015
<b>Asset derivatives-designated for hedge accounting</b>		
Interest rate swaps	\$ 23	\$ 19
<b>Asset derivatives-undesignated for hedge accounting</b>		
Forward exchange contracts	3	13
<b>Total asset derivatives (A)</b>	<b>\$ 25</b>	<b>\$ 32</b>
<b>Liability derivatives-designated for hedge accounting</b>		
Commodity forward contracts	\$ —	\$ 10
Interest rate swaps	18	—
<b>Liability derivatives-undesignated for hedge accounting</b>		
Forward exchange contracts	13	21
<b>Total liability derivatives (B)</b>	<b>\$ 31</b>	<b>\$ 30</b>

(A) All asset derivatives are included in *Prepaid expenses and other*.

(B) All liability derivatives are included in *Accrued expenses*.

**Effects on Consolidated Statements of Income**

*Cash flow hedges*

All derivative instrument-related amounts recognized in other comprehensive income and earnings during 2016 and 2015 relate to interest rate swaps and commodity forward contracts.

(Millions of dollars)	2016	2015	2014
After-tax losses relating to cash flow hedges recognized in other comprehensive income (loss)	\$ 11	\$ 16	\$ —

The losses recognized in 2016 primarily related to the previously discussed forward starting interest rate swaps entered into in fiscal year 2016. The losses recognized in 2015 included \$7 million of losses relating to commodity forward contracts as well as \$8 million attributable to interest rate swaps with a total notional amount of \$2.3 billion that were entered into during the first quarter of fiscal year 2015 to partially hedge interest rate risk associated with the anticipated issuance of senior unsecured notes in connection with the Company's acquisition of CareFusion. These swaps were designated as hedges of the variability in interest payments attributable to changes in the benchmark interest rate during the period preceding the Company's issuance of the notes. The swaps were terminated at losses, concurrent with the pricing of notes issued in December 2014, and the realized losses will be amortized over the lives of the notes with an offset to *Interest expense*. Additional disclosures regarding amounts recognized in the consolidated statements of income in fiscal years 2016, 2015 and 2014 relating to cash flow hedges are provided in Note 3. Additional disclosures regarding the acquisition of CareFusion are provided in Note 9 and additional disclosures regarding the Company's debt issuance during the first quarter of fiscal year 2015 are provided in Note 15.

The Company's designated derivative instruments are highly effective. As such, there were no gains or losses, related to hedge ineffectiveness or amounts excluded from hedge effectiveness testing, recognized immediately in income relative to derivative contracts outstanding in the periods presented.

**Notes to Consolidated Financial Statements — (Continued)**  
**Becton, Dickinson and Company**

*Undesignated hedges*

The location and amount of gains and losses recognized in income on derivatives not designated for hedge accounting for the years ended September 30 were as follows:

Derivatives Not Designated as For Hedge Accounting	Location of (Loss) Gain Recognized in Income on Derivatives	Amount of (Loss) Gain Recognized in Income on Derivative (Millions of dollars)		
		2016	2015	2014
		Forward exchange contracts (A)	Other income (expense), net	\$ (3)

(A) The gains and losses on forward contracts and currency options utilized to hedge the intercompany transactional foreign exchange exposures are largely offset by gains and losses on the underlying hedged items in *Other income (expense), net*.

**Note 14 — Financial Instruments and Fair Value Measurements**

*Recurring Fair Value Measurements*

The fair values of financial instruments, including those not recognized on the statement of financial position at fair value, carried at September 30, 2016 and 2015 are classified in accordance with the fair value hierarchy in the following tables:

(Millions of dollars)	September 30, 2016 Total	Basis of Fair Value Measurement		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Assets</u>				
Institutional money market investments	\$ 224	\$ 224	\$ —	\$ —
Interest rate swaps	23	—	23	—
Forward exchange contracts	3	—	3	—
<b>Total Assets</b>	<b>\$ 249</b>	<b>\$ 224</b>	<b>\$ 25</b>	<b>\$ —</b>
<u>Liabilities</u>				
Forward exchange contracts	\$ 13	\$ —	\$ 13	\$ —
Commodity forward contracts	—	—	—	—
Interest rate swaps	18	—	18	—
Contingent consideration liabilities	54	—	—	54
<b>Total Liabilities</b>	<b>\$ 86</b>	<b>\$ —</b>	<b>\$ 31</b>	<b>\$ 54</b>

**Notes to Consolidated Financial Statements — (Continued)**  
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(Millions of dollars)	September 30, 2015 Total	Basis of Fair Value Measurement		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Institutional money market investments	\$ 147	\$ 147	\$ —	\$ —
Interest rate swaps	19	—	19	—
Forward exchange contracts	13	—	13	—
<b>Total Assets</b>	<b>\$ 179</b>	<b>\$ 147</b>	<b>\$ 32</b>	<b>\$ —</b>
<b>Liabilities</b>				
Forward exchange contracts	\$ 21	\$ —	\$ 21	\$ —
Commodity forward contracts	10	—	10	—
Contingent consideration liabilities	77	—	—	77
<b>Total Liabilities</b>	<b>\$ 108</b>	<b>\$ —</b>	<b>\$ 30</b>	<b>\$ 77</b>

The Company's institutional money market accounts permit daily redemption and the fair values of these investments are based upon the quoted prices in active markets provided by the holding financial institutions. The Company's remaining cash equivalents were \$1.317 billion and \$1.277 billion at September 30, 2016 and 2015, respectively. Short-term investments are held to their maturities and are carried at cost, which approximates fair value. The cash equivalents consist of liquid investments with a maturity of three months or less and the short-term investments consist of instruments with maturities greater than three months and less than one year.

The Company measures the fair value of forward exchange contracts and interest rate swaps based upon the present value of expected future cash flows using market-based observable inputs including credit risk, interest rate yield curves, foreign currency spot prices and forward prices.

Long-term debt is recorded at amortized cost. The fair value of long-term debt is measured based upon quoted prices in active markets for similar instruments, which are considered Level 2 inputs in the fair value hierarchy. The fair value of long-term debt was \$11.3 billion and \$11.6 billion at September 30, 2016 and 2015, respectively. During the first and third quarters of fiscal year 2016, the Company reclassified \$500 million of 1.750% notes due on November 8, 2016 and \$300 million of 1.450% notes due on May 15, 2017, respectively, from *Long-Term Debt* to *Short-term debt*. The fair value of reclassified notes was \$798 million and \$750 million at September 30, 2016 and 2015, respectively. The balance of reclassified notes at September 30, 2015, which has been repaid, represented \$750 million of floating rate notes due on June 15, 2016.

The contingent consideration liabilities were recognized as part of the consideration transferred by the Company for certain acquisitions. The fair values of the contingent consideration liabilities were estimated using probability-weighted discounted cash flow models that were based upon the probabilities assigned to the contingent events. The estimated fair values of the contingent consideration liabilities are remeasured at each reporting period based upon increases or decreases in the probability of the contingent payments. The change to the contingent consideration liability in fiscal year 2016 primarily reflected a net decrease of \$25 million, which was recorded in *Selling and administrative expense*, in the fair value of contingent consideration liabilities associated with certain product development milestones.

The Company's policy is to recognize any transfers into fair value measurement hierarchy levels and transfers out of levels at the beginning of each reporting period. There were no transfers in and out of Level 1, Level 2 or Level 3 measurements for the years ending September 30, 2016 and 2015.

***Nonrecurring Fair Value Measurements***

In fiscal year 2016, the Company recorded a charge of \$214 million to impair capitalized internal-use software assets held for sale as a result of the Company's transition of certain elements of its information technology infrastructure to an outsourced model. Impairment charges recorded in 2015 of \$72 million primarily related to information technology assets held for sale as a result of these same transition efforts. Additional disclosures regarding these transition efforts are provided in Note 1. Also in fiscal year 2016, the Company recorded losses of \$81 million on the held for sale assets of certain non-core businesses. The amounts recognized in 2016 and 2015 were recorded to *Acquisitions and other restructurings* to adjust the carrying amount of assets held for sale to an estimate of the assets' fair values, less the estimated costs to sell these assets. The fair values of the assets adjusted in 2016 and 2015 were estimated, based upon a market participant's perspective, using a market approach and

**Notes to Consolidated Financial Statements — (Continued)**  
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Level 2 inputs, including quoted prices for similar assets. The remaining carrying amounts of the assets held for sale at September 30, 2015 were immaterial to the Company's consolidated balance sheet.

**Concentration of Credit Risk**

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

The Company continually evaluates its accounts receivables for potential collection risks particularly those resulting from sales to government-owned or government-supported healthcare facilities in certain countries as payment may be dependent upon the financial stability and creditworthiness of those countries' national economies. The Company continually evaluates all governmental receivables for potential collection risks associated with the availability of government funding and reimbursement practices. The Company believes the current reserves related to all governmental receivables are adequate and that this concentration of credit risk will not have a material adverse impact on its financial position or liquidity.

**Note 15 — Debt**

Short-term debt at September 30 consisted of:

(Millions of dollars)	2016	2015
Domestic loans payable	\$ 200	\$ 700
Current portion of long-term debt		
1.750% Notes due November 8, 2016	500	—
1.450% Notes due May 15, 2017	300	—
Floating rate notes due June 15, 2016	—	750
Other	1	2
<b>Total short-term debt</b>	<b>\$ 1,001</b>	<b>\$ 1,452</b>

The weighted average interest rates for short-term debt were 1.49% and 0.64% at September 30, 2016 and 2015, respectively. Domestic loans payable consist of a commercial paper program the Company entered into in January 2015, in anticipation of the closing of the CareFusion acquisition, which is further discussed in Note 9. In February 2016, the size of the commercial paper program was increased from \$1 billion to \$1.5 billion in short-term, unsecured commercial paper notes. Borrowings outstanding at September 30, 2015 included \$500 million that was used to finance the Company's acquisition of CareFusion and to pay related fees and expenses. The outstanding September 30, 2016 balance reflected net repayments in 2016 of \$500 million.

In January 2016, the Company replaced an existing \$1 billion syndicated credit facility with a \$1.5 billion syndicated credit facility that has an expiration date of January 2021. There were no borrowings outstanding under this credit facility at September 30, 2016. The credit facility, under which the Company may issue up to \$100 million in letters of credit, provides backup support for the Company's commercial paper program and can also be used for other general corporate purposes. It includes a provision that enables BD, subject to additional commitments made by the lenders, to access up to an additional \$500 million in financing through the facility for a maximum aggregate commitment of \$2 billion. The credit facility includes a single financial covenant that requires BD to maintain an interest expense coverage ratio of not less than 1 to 1 for the most recent four consecutive fiscal quarters. The Company was in compliance with this covenant as of September 30, 2016. In addition, the Company has informal lines of credit outside of the United States.

Concurrent with the execution of the agreement to acquire CareFusion, the Company secured \$9.1 billion of fully committed bridge financing to ensure its ability to fund the cash portion of consideration due under the agreement, as well as to pay fees and expenses related to the acquisition. This bridge credit agreement was terminated upon the closing of the CareFusion acquisition in March 2015. The Company also entered into a 364-day term loan agreement in December 2014 that provided for a \$1 billion term loan facility, the proceeds under which could only be used to pay the cash consideration due pursuant to the CareFusion acquisition agreement, as well as to pay financing fees, other related fees and other expenses.

**Notes to Consolidated Financial Statements — (Continued)**  
**Becton, Dickinson and Company**

associated with the CareFusion acquisition. The term loan was fully repaid in 2015, reflecting principal payments of \$650 million, \$250 million and \$100 million made in April, July and September 2015, respectively.

In December 2014, the Company issued \$6.2 billion of senior unsecured notes as part of its plan for financing the cash requirements relating to the CareFusion acquisition. The Company repaid \$750 million of these notes in June 2016. Upon the closing of the CareFusion acquisition in March 2015, the Company assumed the indebtedness of CareFusion, including senior unsecured notes with an aggregate principal amount of \$2 billion, which was recorded on the acquisition date at a fair value of \$2.174 billion. Subsequent to closing the acquisition of CareFusion, the Company validly tendered and exchanged the aggregate principal amounts of each series of the CareFusion notes for notes issued by the Company. This exchange transaction was accounted for as a modification of the original debt instruments. As such, no gain or loss was recognized in the Company's consolidated results of operations as a result of this exchange transaction.

*Long-Term Debt* at September 30 consisted of:

(Millions of dollars)	2016	2015
1.750% Notes due November 8, 2016	\$ —	\$ 499
1.450% Notes due May 15, 2017 (A)	—	300
1.800% Notes due December 15, 2017 (B)	1,248	1,246
4.900% Notes due April 15, 2018	201	202
5.000% Notes due May 15, 2019	498	497
6.375% Notes due August 1, 2019 (A)	776	802
2.675% Notes due December 15, 2019 (B)	1,245	1,244
3.250% Notes due November 12, 2020	698	697
3.125% Notes due November 8, 2021	1,018	1,013
3.300% Notes due March 1, 2023 (A)	304	305
3.875% Notes due May 15, 2024 (A)	417	419
3.734% Notes due December 15, 2024 (B)	1,740	1,739
7.000% Debentures due August 1, 2027	168	168
6.700% Debentures due August 1, 2028	167	167
6.000% Notes due May 15, 2039	246	246
5.000% Notes due November 12, 2040	297	296
4.875% Notes due May 15, 2044 (A)	333	334
4.685% Notes due December 15, 2044 (B)	1,190	1,190
Other long-term debt	4	5
Total Long-Term Debt	<u>\$ 10,550</u>	<u>\$ 11,370</u>

(A) Represents senior unsecured notes issued in the April 2015 exchange of all validly tendered and accepted CareFusion notes for notes issued by the Company, as further discussed above.

(B) Represents senior unsecured notes issued in December 2014 in connection with the CareFusion acquisition.

The aggregate annual maturities of long-term debt during the fiscal years ending September 30, 2017 to 2021 are as follows: 2017 — \$801 million; 2018 — \$1.45 billion; 2019 — \$1.2 billion; 2020 — \$1.25 billion; 2021 — \$700 million.

The Company capitalizes interest costs as a component of the cost of construction in progress. A summary of interest costs and payments for the years ended September 30 is as follows:

(Millions of dollars)	2016	2015	2014
Charged to operations	\$ 388	\$ 371	\$ 135
Capitalized	30	30	32
Total interest costs	<u>\$ 418</u>	<u>\$ 401</u>	<u>\$ 167</u>
Interest paid, net of amounts capitalized	<u>\$ 392</u>	<u>\$ 313</u>	<u>\$ 135</u>

**Notes to Consolidated Financial Statements — (Continued)**  
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The amounts of interest charged to operations and interest paid during 2016 included \$183 million of interest on the senior unsecured notes issued in December 2014. The amounts of interest charged to operations and interest paid during 2015 included \$107 million of interest on the senior unsecured notes issued in December 2014 and commitment fees for the bridge loan facility entered into concurrently with the execution of the agreement to acquire CareFusion. Additional information regarding these costs is provided in Note 9.

**Note 16 — Income Taxes**

The provision for income taxes the years ended September 30 consisted of:

(Millions of dollars)	2016	2015	2014
<b>Current:</b>			
Federal	\$ 312	\$ 50	\$ 225
State and local, including Puerto Rico	17	15	(11)
Foreign	286	252	217
	<u>\$ 616</u>	<u>\$ 318</u>	<u>\$ 431</u>
<b>Deferred:</b>			
Domestic	\$ (441)	\$ (238)	\$ (59)
Foreign	(78)	(37)	(35)
	<u>(519)</u>	<u>(274)</u>	<u>(94)</u>
Income tax provision	<u>\$ 97</u>	<u>\$ 44</u>	<u>\$ 337</u>

The components of *Income Before Income Taxes* for the years ended September 30 consisted of:

(Millions of dollars)	2016	2015	2014
Domestic, including Puerto Rico	\$ (232)	\$ (408)	\$ 532
Foreign	1,306	1,147	990
Income Before Income Taxes	<u>\$ 1,074</u>	<u>\$ 739</u>	<u>\$ 1,522</u>

The table below summarizes the gross amounts of unrecognized tax benefits without regard to reduction in tax liabilities or additions to deferred tax assets and liabilities if such unrecognized tax benefits were settled. The Company believes it is reasonably possible that certain audits will close within the next twelve months but no significant increases or decreases in the amount of the unrecognized tax benefits are expected to result.

(Millions of dollars)	2016	2015	2014
Balance at October 1	\$ 575	\$ 197	\$ 146
Increase due to acquisitions	—	314	—
Increase due to current year tax positions	73	58	51
Increase due to prior year tax positions	28	17	9
Decreases due to prior year tax positions	(28)	—	—
Decrease due to settlements and lapse of statute of limitations	(191)	(11)	(9)
Balance at September 30	<u>\$ 457</u>	<u>\$ 575</u>	<u>\$ 197</u>

With the acquisition of CareFusion on March 17, 2015, the Company is now a party to a tax matters agreement with Cardinal Health resulting from Cardinal Health's spin-off of CareFusion in fiscal year 2010. Under the tax matters agreement, the Company is obligated to indemnify Cardinal Health for certain tax exposures and transaction taxes prior to CareFusion's spin-off from Cardinal Health. The indemnification payable is approximately \$126 million at September 30, 2016 and is included in *Deferred Income Taxes and Other* on the consolidated balance sheet.

The total amount of unrecognized tax benefits, if recognized, would favorably impact the effective tax rate. Accrued interest and penalties of \$51 million, \$84 million and \$10 million at September 30, 2016, 2015 and 2014, respectively, are not included in the table above. During the fiscal years ended September 30, 2016, 2015 and 2014, the Company reported interest and penalties associated with unrecognized tax benefits of \$3 million, \$8 million and \$2 million on the consolidated statements of income as a component of *Income tax provision*.

**Notes to Consolidated Financial Statements — (Continued)**  
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The Company conducts business and files tax returns in numerous countries and currently has tax audits in progress in a number of tax jurisdictions. The IRS has completed its audit for the tax years through 2013. For the Company's other major tax jurisdictions where it conducts business, the Company's tax years are generally open after 2010.

Deferred income taxes at September 30 consisted of:

(Millions of dollars)	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Compensation and benefits	\$ 720	\$ —	\$ 647	\$ —
Property and equipment	—	235	—	156
Intangibles	—	1,493	—	2,033
Loss and credit carryforwards	1,101	—	538	—
Other	720	607	634	606
	<u>2,541</u>	<u>2,336</u>	<u>1,819</u>	<u>2,795</u>
Valuation allowance	(997)	—	(452)	—
Net (A)	<u>\$ 1,544</u>	<u>\$ 2,336</u>	<u>\$ 1,367</u>	<u>\$ 2,795</u>

(A) Net deferred tax assets are included in *Other Assets* and net deferred tax liabilities are included in *Deferred Income Taxes and Other*.

Deferred tax assets and liabilities are netted on the balance sheet by separate tax jurisdictions. As disclosed on Note 2, the Company retrospectively adopted amended guidance on October 1, 2015 that requires entities to present deferred tax assets and liabilities as noncurrent on the balance sheet. As such, the consolidated balance sheet as of September 30, 2015 reflects the reclassification of current deferred tax assets of \$387 million as noncurrent amounts, after giving effect to jurisdictional netting requirements. Deferred taxes are not provided on undistributed earnings of foreign subsidiaries that are indefinitely reinvested. At September 30, 2016, the cumulative amount of such undistributed earnings indefinitely reinvested outside the United States was \$8.7 billion. Determining the tax liability that would arise if these earnings were remitted is not practicable. Deferred taxes are provided for earnings outside the United States when those earnings are not considered indefinitely reinvested.

Generally, deferred tax assets have been established as a result of net operating losses and credit carryforwards with expiration dates from 2017 to an unlimited expiration date. Valuation allowances have been established as a result of an evaluation of the uncertainty associated with the realization of certain deferred tax assets on these losses and credit carryforwards. The valuation allowance for 2016 is primarily the result of foreign losses due to the Company's global re-organization of its foreign entities and these generally have no expiration date. Valuation allowances are also maintained with respect to deferred tax assets for certain federal and state carryforwards that may not be realized and that principally expire between 2016 and 2019.

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

	2016	2015	2014
Federal statutory tax rate	35.0 %	35.0 %	35.0 %
State and local income taxes, net of federal tax benefit	1.5	(3.6)	(0.5)
Effect of foreign and Puerto Rico earnings and foreign tax credits	(23.7)	(24.5)	(11.2)
Effect of Research Credits and Domestic Production Activities	(4.4)	(1.6)	(1.1)
Other, net	0.7	0.6	(0.1)
Effective income tax rate	<u>9.1 %</u>	<u>5.9 %</u>	<u>22.1 %</u>

The approximate amounts of tax reductions related to tax holidays in various countries in which the Company does business were \$122 million, \$102 million and \$108 million, in 2016, 2015 and 2014, respectively. The tax holidays expire at various dates through 2026.

The Company made income tax payments, net of refunds, of \$218 million in 2016, \$240 million in 2015 and \$330 million in 2014.

**Notes to Consolidated Financial Statements — (Continued)**  
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**Note 17 — Sales-Type Leases and Financing Receivables**

As disclosed in Note 9, the net assets acquired in the Company's acquisition of CareFusion included a \$1.206 billion net investment in sales-type leases which primarily arose from the leasing of dispensing equipment. The components of the net investment in sales-type leases, which predominantly have five-year terms and are generally collateralized by the underlying equipment, were as follows:

(Millions of dollars)	2016	2015
Future minimum lease payments receivable	\$ 1,239	\$ 1,311
Unguaranteed residual values	32	29
Unearned income	(132)	(142)
Allowance for uncollectible minimum lease payments receivable	(5)	(5)
Net Investment in Sales-Type Leases	1,135	1,193
Less: Current portion of net investment in sales-type leases	339	75
Net Investment in Sales-Type Leases, Less Current Portion	\$ 796	\$ 1,118

Future minimum lease payments to be received pursuant to sales-type leases are as follows: 2017 — \$395 million; 2018 — \$329 million; 2019 — \$259 million; 2020 — \$170 million; 2021 — \$81 million and an aggregate of \$5 million thereafter.

The methodology for determining the allowance for credit losses for these financing receivables is based on the collective population and is not stratified by class or portfolio segment. Allowances for credit losses on the entire portfolio are recorded based on historical experience loss rates and the potential impact of anticipated changes in business practices, market dynamics, and economic conditions. The net investment in sales-type leases is predominantly evaluated for impairment on a collective basis; however, some immaterial allowances for individual balances are recorded based on the evaluation of customers' specific circumstances. No interest is accrued on past due financing receivables, which are generally considered past due 30 days after the billing date. Amounts are written off against the allowance for credit losses when determined to be uncollectible. The allowance for credit losses on these financing receivables was immaterial at September 30, 2016.

**Note 18 — Supplemental Financial Information**

***Other Income (Expense), Net***

*Other income (expense), net* in 2016 was \$11 million, which primarily included equity investment net income of \$8 million and income from license and other agreements of \$2 million. These amounts were partially offset by foreign exchange losses (inclusive of hedging costs) of \$3 million.

*Other income (expense), net* in 2015 was \$21 million, which primarily included equity investment net income and proceeds from the sales of investments of \$9 million, an acquisition-date accounting gain of \$9 million on the previously held investment in CRISI and income from license and other agreements of \$2 million.

*Other income (expense), net* in 2014 was \$5 million, which primarily included equity investment net income and proceeds from the sales of investments of \$13 million and income from license and other agreements of \$3 million. *Other income (expense), net* in 2014 also included income of \$3 million from contract manufacturing and other transition services relating to the Company's sale of Discovery Labware in the first quarter of fiscal year 2013. These amounts were partially offset by foreign exchange losses (inclusive of hedging costs) of \$13 million.

**Notes to Consolidated Financial Statements — (Continued)**  
**Becton, Dickinson and Company**

***Trade Receivables, Net***

The amounts recognized in 2016, 2015 and 2014 relating to allowances for doubtful accounts and cash discounts, which are netted against trade receivables, are provided in the following table:

(Millions of dollars)	Allowance for Doubtful Accounts	Allowance for Cash Discounts	Total
Balance at September 30, 2013	\$ 41	\$ 9	\$ 50
Additions charged to costs and expenses	6	41	46
Deductions and other	(16) (A)	(38)	(54)
Balance at September 30, 2014	\$ 30	\$ 12	\$ 42
Additions charged to costs and expenses	33	47	80
Deductions and other	(11) (A)	(50)	(61)
Balance at September 30, 2015	\$ 53	\$ 9	\$ 62
Additions charged to costs and expenses	23	37	60
Deductions and other	(14) (A)	(40)	(55)
Balance at September 30, 2016	\$ 61	\$ 6	\$ 67

(A) Accounts written off.

***Inventories***

Inventories at September 30 consisted of:

(Millions of dollars)	2016	2015
Materials	\$ 316	\$ 384
Work in process	274	280
Finished products	1,129	1,295
	\$ 1,719	\$ 1,959

***Property, Plant and Equipment, Net***

Property, Plant and Equipment, Net at September 30 consisted of:

(Millions of dollars)	2016	2015
Land	\$ 151	\$ 146
Buildings	2,397	2,414
Machinery, equipment and fixtures	5,749	5,602
Leasehold improvements	121	114
	8,419	8,277
Less accumulated depreciation and amortization	4,518	4,217
	\$ 3,901	\$ 4,060

**Becton, Dickinson and Company**

**SUPPLEMENTARY DATA (UNAUDITED)**

Millions of dollars, except per share amounts

	2016				
	1st	2nd	3rd	4th	Year
Revenues	\$ 2,986	\$ 3,067	\$ 3,198	\$ 3,231	\$ 12,483
Gross Profit	1,408	1,484	1,547	1,552	5,991
Net Income	229	338	390	19	976
Earnings per Share:					
Basic	1.08	1.59	1.83	0.09	4.59
Diluted	1.06	1.56	1.80	0.09	4.49
	2015				
	1st	2nd	3rd	4th	Year
Revenues	\$ 2,051	\$ 2,051	\$ 3,120	\$ 3,059	\$ 10,282
Gross Profit	1,045	1,046	1,174	1,430	4,695
Net Income	236	216	62	181	695
Earnings per Share:					
Basic	1.22	1.10	0.30	0.86	3.43
Diluted	1.20	1.08	0.29	0.84	3.35

Certain quarterly amounts may not add to the year-to-date totals due to rounding. The third quarter fiscal year 2015 gross profit amount reflects an acquisition-related reclassification. Earnings per share amounts are calculated from the underlying whole-dollar amounts. As of March 17, 2015, the weighted average common shares used in the computations of basic and diluted earnings per share reflect shares issued in connection with the CareFusion acquisition. Additional disclosures regarding this issuance of shares and the acquisition are provided in Notes 4 and 9.

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

None.

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

An evaluation was conducted by BD's management, with the participation of BD's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of BD's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of September 30, 2016. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were, as of the end of the period covered by this report, effective and designed to ensure that material information relating to BD and its consolidated subsidiaries would be made known to them by others within these entities. There were no changes in our internal control over financial reporting during the fiscal quarter ended September 30, 2016 identified in connection with the above-referenced evaluation that have materially affected, or are reasonably likely to materially affect, BD's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting and the Report of Independent Registered Public Accounting Firm are contained in Item 8, Financial Statements and Supplementary Data, and are incorporated herein by reference.

**Item 9B. Other Information.**

None.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance.**

The information relating to directors and the Audit Committee of the BD Board of Directors required by this item will be contained under the captions "Proposal 1. Election of Directors" and "Board of Directors - Committee Membership and

Function - Audit Committee" in a definitive proxy statement involving the election of directors, which the registrant will file with the SEC not later than 120 days after September 30, 2016 (the "2017 Proxy Statement"), and such information is incorporated herein by reference.

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

Certain other information required by this item will be contained under the captions "Ownership of BD Common Stock - Section 16(a) beneficial ownership reporting compliance", "Corporate Governance - Director nomination process" and Corporate Governance - Code of Conduct" in BD's 2017 Proxy Statement, and such information is incorporated herein by reference.

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

The information required by this item will be contained under the captions "Board of Directors - Non-Management Directors' Compensation," "Compensation Discussion and Analysis," "Report of the Compensation and Management Development Committee," "Compensation of Named Executive Officers" and "Board of Directors - Committee membership and function - Compensation and Management Development Committee" in BD's 2017 Proxy Statement, and such information is incorporated herein by reference.

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

The information required by this item will be contained under the caption "Ownership of BD Common Stock" in BD's 2017 Proxy Statement, and such information is incorporated herein by reference.

**Item 13. *Certain Relationships and Related Transactions, and Director Independence.***

The information required by this item will be contained under the caption "Corporate Governance - Director Independence; Policy Regarding Related Person Transactions" in BD's 2017 Proxy Statement, and such information is incorporated herein by reference.

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

The information required by this item will be contained under the caption "Proposal 2. Ratification of Selection of Independent Registered Public Accounting Firm" in BD's 2017 Proxy Statement, and such information is incorporated herein by reference.

**PART IV**

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

(a)(1) *Financial Statements*

The following consolidated financial statements of BD are included in Item 8 of this report:

- Reports of Independent Registered Public Accounting Firm
- Consolidated Statements of Income — Years ended September 30, 2016, 2015 and 2014
- Consolidated Statements of Comprehensive Income — Years ended September 30, 2016, 2015 and 2014
- Consolidated Balance Sheets — September 30, 2016 and 2015
- Consolidated Statements of Cash Flows — Years ended September 30, 2016, 2015 and 2014
- Notes to Consolidated Financial Statements

(2) *Financial Statement Schedules*

See Note 18 to the Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data.

(3) *Exhibits*

See the Exhibit Index beginning on page 82 hereof for a list of all management contracts, compensatory plans and arrangements required by this item, and all other Exhibits filed or incorporated by reference as a part of this report.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BECTON, DICKINSON AND COMPANY

By: /s/ GARY DEFAZIO  
Gary DeFazio  
Senior Vice President and Corporate Secretary

Dated: November 23, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the 23<sup>rd</sup> day of November, 2016 by the following persons on behalf of the registrant and in the capacities indicated.

<u>Name</u>	<u>Capacity</u>
<u>/s/ VINCENT A. FORLENZA</u> Vincent A. Forlenza	Chairman, Chief Executive Officer and President (Principal Executive Officer)
<u>/s/ CHRISTOPHER R. REIDY</u> Christopher R. Reidy	Executive Vice President, Chief Financial Officer and Chief Administrative Officer (Principal Financial Officer)
<u>/s/ JOHN GALLAGHER</u> John Gallagher	Senior Vice President, Corporate Finance, Controller and Treasurer (Principal Accounting Officer)
<u>Basil L. Anderson*</u>	Director
<u>Catherine M. Burzik*</u>	Director
<u>R. Andrew Eckert*</u>	Director
<u>Claire M. Fraser*</u>	Director
<u>Christopher Jones*</u>	Director
<u>Marshall O. Larsen*</u>	Director
<u>Gary A. Mecklenburg*</u>	Director



**EXHIBIT INDEX**

<b><u>Exhibit Number</u></b>	<b><u>Description</u></b>	<b><u>Method of Filing</u></b>
2.1	Agreement and Plan of Merger, dated as of October 5, 2014, among CareFusion Corporation, Becton, Dickinson and Company and Griffin Sub, Inc.	Incorporated by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K dated October 6, 2014.
3(a)(i)	Restated Certificate of Incorporation, dated as of January 29, 2013.	Incorporated by reference to Exhibit 3(a) to the registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2013.
3(b)	By-Laws, as amended and restated as of September 27, 2016.	Incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated September 28, 2016.
4(a)	Indenture, dated as of March 1, 1997, between the registrant and The Bank of New York Mellon Trust Company, N.A. (as successor to JPMorgan Chase Bank)	Incorporated by reference to Exhibit 4(a) to Form 8-K filed by the registrant on July 31, 1997
4(b)	Indenture, dated July 21, 2009, between CareFusion Corporation and Deutsche Bank Trust Company Americas, as trustee.	Incorporated by reference to Exhibit 4.2 to Cardinal Health, Inc.'s Current Report on Form 8-K filed on July 22, 2009.
4(c)	Supplemental Indenture, dated July 21, 2009, between CareFusion Corporation and Deutsche Bank Trust Company Americas, as trustee.	Incorporated by reference to Exhibit 4.3 to Cardinal Health, Inc.'s Current Report on Form 8-K filed on July 22, 2009.
4(d)	Second Supplemental Indenture, dated March 11, 2013, between CareFusion Corporation and Deutsche Bank Trust Company Americas, as trustee.	Incorporated by reference to Exhibit 4.1 of the CareFusion Corporation Current Report on Form 8-K filed on March 11, 2013.
4(e)	Third Supplemental Indenture, dated May 22, 2014, between CareFusion Corporation and Deutsche Bank Trust Company Americas, as trustee.	Incorporated by reference to Exhibit 4.2 of the CareFusion Corporation Current Report on Form 8-K filed on May 22, 2014.
4(f)	Fourth Supplemental Indenture, dated as of April 24, 2015, between CareFusion Corporation and Deutsche Bank Trust Company Americas, as Trustee.	Incorporated by reference to Exhibit 4.1 of CareFusion's Current Report on Form 8-K filed on April 29, 2015.
4(g)	Form of 7% Debentures due August 1, 2027.	Incorporated by reference to Exhibit 4(d) of the registrant's Current Report on Form 8-K filed on July 31, 1997.
4(h)	Form of 6.70% Debentures due August 1, 2028.	Incorporated by reference to Exhibit 4(d) of the registrant's Current Report on Form 8-K filed on July 29, 1999.
4(i)	Form of 4.90% Notes due April 15, 2018.	Incorporated by reference to Exhibit 4(i) of the registrant's Annual Report on form 10-K for the fiscal year ended September 30, 2016.
4(j)	Form of 5.00% Notes due May 15, 2019.	Incorporated by reference to Exhibit 4.1 of the registrant's Current Report on Form 8-K filed on May 13, 2009.
4(k)	Form of 6.00% Notes due May 15, 2039.	Incorporated by reference to Exhibit 4.2 of the registrant's Current Report on Form 8-K filed on May 13, 2009.
4(l)	Form of 3.25% Notes due November 12, 2020.	Incorporated by reference to Exhibit 4.1 of the registrant's Current Report on Form 8-K filed on November 12, 2010.
4(m)	Form of 5.00% Notes due November 12, 2040.	Incorporated by reference to Exhibit 4.2 of the registrant's Current Report on Form 8-K filed on November 12, 2010.

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4(n)	Form of 1.750% Notes due November 8, 2016.	Incorporated by reference to Exhibit 4.1 of the registrant's Current Report on Form 8-K filed on November 8, 2011.
4(o)	Form of 3.125% Notes due November 8, 2021.	Incorporated by reference to Exhibit 4.2 of the registrant's Current Report on Form 8-K filed on November 8, 2011.
4(p)	Form of 1.450% Senior Notes due May 15, 2017.	Incorporated by reference to Exhibit 4.2 of the registrant's Current Report on Form 8-K filed on April 29, 2015.
4(q)	Form of 6.375% Senior Notes due August 1, 2019.	Incorporated by reference to Exhibit 4.3 of the registrant's Current Report on Form 8-K filed on April 29, 2015.
4(r)	Form of 3.300% Senior Notes due March 1, 2023.	Incorporated by reference to Exhibit 4.4 of the registrant's Current Report on Form 8-K filed on April 29, 2015.
4(s)	Form of 3.875% Senior Notes due May 15, 2024.	Incorporated by reference to Exhibit 4.5 of the registrant's Current Report on Form 8-K filed on April 29, 2015.
4(t)	Form of 4.875% Senior Notes due May 15, 2044.	Incorporated by reference to Exhibit 4.6 of the registrant's Current Report on Form 8-K filed on April 29, 2015.
10(a)(i)	Form of Employment Agreement with executive officers relating to employment following a change of control of the registrant (with tax reimbursement provisions).*	Incorporated by reference to Exhibit 10(a) to the registrant's Quarterly Report on Form 10-Q for the period ended December 31, 2008.
10(a)(ii)	Form of Employment Agreement with executive officers relating to employment following a change of control of the registrant (without tax reimbursement provisions).*	Incorporated by reference to Exhibit 10(a)(ii) to the registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2013.
10(b)	Stock Award Plan, as amended and restated as of January 31, 2006.*	Incorporated by reference to Exhibit 10(a) to the registrant's Quarterly Report on Form 10-Q for the period ended December 31, 2005.
10(c)	Performance Incentive Plan, as amended and restated September 23, 2008.*	Incorporated by reference to Exhibit 10(c) to the registrant's Current Report on Form 8-K dated September 26, 2008.
10(d)	Deferred Compensation and Retirement Benefit Restoration Plan, as amended and restated as of September 27, 2016.*	Filed with this report.
10(e)	1996 Directors' Deferral Plan, as amended and restated as of November 25, 2014.*	Incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K dated December 2, 2014.
10(f)	Amended and Restated Aircraft Time Sharing Agreement between Becton, Dickinson and Company and Vincent A. Forlenza dated as of March 21, 2012.*	Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated March 27, 2012.
10(g)(i)	2004 Employee and Director Equity-Based Compensation Plan, as amended and restated as of January 26, 2016.*	Incorporated by reference to Exhibit 10 to the registrant's Current Report on Form 8-K dated January 29, 2016.
10(g)(ii)	Terms of Awards under 2004 Employee and Director Equity-Based Compensation Plan and Stock Award Plan.*	Filed with this report.

<u>Exhibit Number</u>	<u>Description</u>	<u>Method of Filing</u>
10(h)	Retiree medical agreement between Becton, Dickinson and Company and Jeffrey S. Sherman.*	Incorporated by reference to Exhibit 10(n) to the registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2012.
10(i)	Five-Year Credit Agreement, dated January 29, 2016 among the registrant and the banks named therein.	Incorporated by reference to Exhibit 10 to the registrant's Current Report on Form 8-K dated February 4, 2016.
10(j)	364-Day Term Loan Agreement, dated December 19, 2014, by and among Becton, Dickinson and Company, as borrower, Goldman Sachs Bank USA, as administrative agent, and the lenders party thereto.	Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed December 14, 2014.
10(k)	Form of Commercial Paper Dealer Agreement.	Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on January 6, 2015.
10(l)	Tax Matters Agreement, dated August 31, 2009, by and between Cardinal Health, Inc. and CareFusion Corporation.	Incorporated by reference to Exhibit 10.3 to Cardinal Health, Inc.'s Current Report on Form 8-K filed on September 4, 2009.
21	Subsidiaries of the registrant.	Filed with this report
23	Consent of independent registered public accounting firm.	Filed with this report
24	Power of Attorney.	Filed with this report
31	Certifications of Chief Executive Officer and Chief Financial Officer, pursuant to SEC Rule 13(a)-14(a).	Filed with this report
32	Certifications of Chief Executive Officer and Chief Financial Officer, pursuant to Section 1350 of Chapter 63 of Title 18 of the U.S. Code.	Filed with this report
101	The following materials from this report, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Income, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements.	Filed with this report

\* Denotes a management contract or compensatory plan or arrangement.

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

## DEFERRED COMPENSATION AND RETIREMENT BENEFIT RESTORATION PLAN

Effective January 1, 2017

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# BD DEFERRED COMPENSATION AND RETIREMENT BENEFIT RESTORATION PLAN

Amended and Restated as of January 1, 2017

## FOREWORD

Effective as of August 1, 1994 (the “Effective Date”), Becton, Dickinson and Company (the “Company”) adopted the Becton, Dickinson and Company Salary and Bonus Deferral Plan (the “Plan”) for the benefit of certain of its employees. The Plan is intended to be an unfunded plan of deferred compensation primarily for the benefit of a select group of management and highly compensated employees. To the extent that the Plan permits the voluntary deferral of bonuses, the Plan is intended to amend and replace the Bonus Deferral Option of the Becton, Dickinson and Company Executive Bonus Plan.

The purpose of the Plan is to permit those employees of the Company who are part of a select group of management or highly compensated employees to defer, pursuant to the provisions of the Plan, a portion of the salaries, bonuses and other remuneration (including certain equity-based compensation) otherwise payable to them.

Effective as of August 15, 1996, the Board of Directors of the Company amended the Plan to permit Participants to have their deferred salaries or deferred bonuses considered to be invested in Common Stock of the Company, to permit those Participants to vote a number of shares of Common Stock equal to the number considered to be held for their benefit under the Plan, and for certain other purposes.

Effective as of November 1, 2001, the Plan was amended and restated to rename the Plan as the Becton, Dickinson and Company Deferred Compensation Plan, and to modify the deferral opportunities and the distribution and withdrawal options under the Plan, and to make certain other modifications deemed desirable.

Effective as of March 22, 2004, the Plan was amended and restated to permit Participants to defer certain equity-based compensation awarded under the Becton, Dickinson and Company Stock Award Plan (the “Stock Award Plan”) and the Becton, Dickinson and Company 2004 Employee and Director Equity-Based Compensation Plan (the “Equity-Based Compensation Plan”).

Effective as of January 1, 2005, the Plan was amended (in operation and through various separate amendments and related documents) in several respects to comply with the requirements of Code Section 409A. In addition, effective as of December 31, 2008, the Plan was further amended to: (1) consolidate the provisions of the Becton, Dickinson and Company Retirement Benefit Restoration Plan with this Plan (reflecting the consolidated administration of the two plans); and (2) bring the consolidated Plan into compliance with the written plan requirements of Code Section 409A. Notwithstanding any provision to the contrary in this Plan, each provision in this Plan shall be interpreted to permit the deferral of compensation in accordance with Code Section 409A, and any provision that would conflict with such requirements shall not be valid or enforceable.

Effective as of October 1, 2009, the Plan was amended to allow Participants to change their Investment Elections on a daily basis.

Effective as of January 1, 2010, the Plan was amended to limit future hypothetical investment in Common Stock.

Effective as of January 1, 2013, the Plan was amended to reflect the conversion of certain Participants’ Retirement Plan benefits from being calculated using the final average pay formula under the Retirement

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Plan to being calculated using the cash balance formula under the Retirement Plan and to reflect certain administrative practices.

Effective as of January 1, 2014, the Plan was amended to reflect certain design changes related to Plan eligibility. In addition, effective for deferrals made on and after January 1, 2014, the Plan was amended to reflect certain changes related to deferral elections and Company Matching Credits.

Effective as of January 1, 2017, the Plan was amended and restated to rename the Plan as the BD Deferred Compensation and Retirement Benefit Restoration Plan, to eliminate the 15-year annual installment distribution option with respect to amounts deferred on or after January 1, 2017, and to clarify the eligibility to receive certain in-kind distributions of Common Stock of the Company. In addition, effective as of January 1, 2017, the CareFusion Corporation Deferred Compensation Plan was merged into the Plan.

## **ARTICLE I**

### **Definitions**

- Section 1.1 “401(k) Plan” means the BD 401(k) Plan.
- Section 1.2 “Account” or “Accounts” means the bookkeeping account or accounts established under the Plan, if any, on behalf of a Participant and includes earnings credited thereon or losses charged thereto.
- Section 1.3 “Agreement” means an agreement entered into between an Eligible Employee and the Company, as agreed to by the Compensation and Benefits Committee of the Board of Directors of the Company (or any committee successor thereto), to participate in the provisions of this Plan related to Restoration Plan benefits and delineating certain terms and conditions with respect to such participation including (but not limited to) the benefits (if any) that are to be provided to the Eligible Employee in lieu of or in addition to the benefits described under the terms of this Plan.
- Section 1.4 “Annual Open Enrollment Period” means the annual period designated by the Committee, which ends not later than the December 31 of a Plan Year, during which a Participant may make or change deferral and/or distribution elections under this Plan.
- Section 1.5 “Base Salary” means the base salary or wages otherwise taken into account under the 401(k) Plan, determined in accordance with the provisions of such plan, but without regard to the limitation on compensation otherwise required under Code Section 401(a)(17), and without regard to any deferrals of the foregoing of compensation under this or any other plan of deferred compensation maintained by the Company.
- Section 1.6 “Beneficiary” or “Beneficiaries” means the beneficiary or beneficiaries who, pursuant to the provisions of this Plan, is or are to receive the amount, if any, payable under this Plan upon the death of a Participant.
- Section 1.7 “Board of Directors” means the Board of Directors of the Company.
- Section 1.8 “Bonus” means the annual bonus payable under the Company’s Performance Incentive Plan, or any successor thereto.
- Section 1.9 “Change in Control” of the Company means any of the following events:
- (1) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (a “Person”) of beneficial ownership (within the meaning of Rule 13(d)(3) promulgated under the Exchange Act) of 25% or more of either (A) the then-outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”);
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provided, however, that, for purposes of this Section 1.9, the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any affiliated company, (iv) any acquisition by any corporation pursuant to a transaction that complies with Sections 1.9(3)(A), 1.9(3)(B) and 1.9(3)(C), or (v) any acquisition that the Board determines, in good faith, was inadvertent, if the acquiring Person divests as promptly as practicable a sufficient amount of the Outstanding Company Common Stock and/or the Outstanding Company Voting Securities, as applicable, to reverse such acquisition of 25% or more thereof.

(2) Individuals who, as of April 24, 2000, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to April 24, 2000 whose election, or nomination for election as a director by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

(3) Consummation of a reorganization, merger, consolidation or sale or other disposition of all or substantially all of the assets of the Company (a “Business Combination”), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that, as a result of such transaction, owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 25% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(4) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

Section 1.10 “Code” means the Internal Revenue Code of 1986, as amended, or any successor statute.

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- Section 1.11 “Committee” means the Plan Administrative Committee, which is responsible for administering the Plan. The Committee shall consist of three or more employees of the Company as determined by, and appointed by, the Board of Directors. The Committee may delegate pursuant to a written authorization (including, by way of illustration, through a contract, memorandum, or other written delegation document) any or all of its responsibilities involving ongoing day-to-day administration or ministerial acts, as set forth in this Plan to one or more individuals or service-providers. In any case where this Plan refers to the Committee, such reference is deemed to be a reference to any delegate of the Committee appointed for such purpose.
- Section 1.12 “Common Stock” means the common stock (\$1.00 par value) of the Company, including any shares into which it may be split, subdivided or combined.
- Section 1.13 “Company” means Becton, Dickinson and Company and any successor to such corporation by merger, purchase or otherwise.
- Section 1.14 “Company Discretionary Credits” means the amounts credited to a Participant’s Company Discretionary Credit Account, if any, pursuant to Section 3.5.
- Section 1.15 “Company Discretionary Credit Account” means the bookkeeping account established under Section 3.5, if any, on behalf of a Participant and includes any earnings credited thereon or losses charged thereto pursuant to Article IV.
- Section 1.16 “Company Matching Credits” means the amounts credited to a Participant’s Company Matching Credit Account, if any, pursuant to Section 3.4.
- Section 1.17 “Company Matching Credit Account” means the bookkeeping account established under Section 3.4, if any, on behalf of a Participant and includes any earnings credited thereon or losses charged thereto pursuant to Article IV.
- Section 1.18 “Deferral Election” means the Participant’s election to participate in this Plan and defer amounts eligible for deferral in accordance with the Plan terms. Except as the context otherwise requires, references herein to Deferral Elections include any subsequent modifications of a prior Deferral Election.
- Section 1.19 “Deferred Bonus” means the amount of a Participant’s Bonus that such Participant has elected to defer until a later year pursuant to an election under Section 3.2.
- Section 1.20 “Deferred Bonus Account” means the bookkeeping account established under Section 3.2 on behalf of a Participant, and includes any earnings credited thereon or losses charged thereto pursuant to Article IV.
- Section 1.21 “Deferred Bonus Election” means the election by a Participant under Section 3.2 to defer a portion of the Participant’s Bonus until a later year.
- Section 1.22 “Deferred Equity-Based Compensation” means the amount of a Participant’s Equity-Based Compensation that such Participant has elected to defer until a later year pursuant to an election under Section 3.3.
- Section 1.23 “Deferred Equity-Based Compensation Account” means the bookkeeping account established under Section 3.3 on behalf of a Participant, and includes any earnings credited thereon or losses charged thereto pursuant to Section 5.3(b).
- Section 1.24 “Deferred Equity-Based Compensation Election” means the election by a Participant under Section 3.3 to defer a portion of the Participant’s Equity-Based Compensation.
- Section 1.25 “Deferred Restoration Distribution” means the amount of a Participant’s distributable Restoration Plan Benefit that such Participant has elected to defer under this Plan pursuant to an election under Section 3.6.
- Section 1.26 “Deferred Restoration Distribution Account” means the bookkeeping account established under Section 3.6 on behalf of a Participant, and includes any earnings credited thereon or losses charged thereto pursuant to Article IV.
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- Section 1.27 “Deferred Restoration Distribution Election” means the election by a Participant under Section 3.6 to defer all or a portion of the Participant’s distributable Restoration Plan Benefit.
- Section 1.28 “Deferred Salary” means the amount of a Participant’s Base Salary that such Participant has elected to defer until a later year pursuant to an election under Section 3.1.
- Section 1.29 “Deferred Salary Account” means the bookkeeping account established under Section 3.1 on behalf of a Participant, and includes any earnings credited thereon or losses charged thereto pursuant to Article V.
- Section 1.30 “Deferred Salary Election” means the election by a Participant under Section 3.1 to defer until a later year a portion of his or her Base Salary.
- Section 1.31 “Deferred Stock Account” means the bookkeeping account established under Section 5.3(b) on behalf of a Participant and includes, in addition to amounts stated in that Section, any Dividend Reinvestment Return credited thereon.
- Section 1.32 “Deferred Stock Election” means the election by a Participant under Section 5.3(b) to have applicable deferred amounts credited in the form of Common Stock to the Participant’s Deferred Stock Account.
- Section 1.33 “Disability” means a Participant’s total disability as defined below and determined in a manner consistent with Code Section 409A and the regulations thereunder:
- (i) The Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or
  - (ii) The Participant is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company.
- A Participant will be deemed to have suffered a Disability if determined to be totally disabled by the Social Security Administration.
- Section 1.34 “Disabled” means that a Participant is totally and permanently disabled as defined in the Company’s Long-Term Disability Plan. With respect to payments of amounts in excess of a Participant’s Grandfathered Deferred Compensation Plan Deferrals or Grandfathered Restoration Plan Benefit on account of disability, the term “Disabled” means a disability that meets the standard for disability under Code Section 409A and the guidance issued thereunder.
- Section 1.35 “Dividend Reinvestment Return” means the amounts which are credited to each Participant’s Deferred Stock Account pursuant to Section 5.3(b) to reflect dividends declared by the Company on its Common Stock.
- Section 1.36 “Equity-Based Compensation” means (i) November 24, 2003, awards granted under the Stock Award Plan and (ii) Restricted Stock Units, Performance Units, and Other Stock-Based Awards granted under Sections 7, 8, and 9 of the Equity-Based Compensation Plan, and does not include any such awards that qualify as vested stock, restricted stock, stock option awards, or stock appreciation rights.
- Section 1.37 “Equity-Based Compensation Plan” means the Becton, Dickinson and Company 2004 Employee and Director Equity-Based Compensation Plan.
- Section 1.38 “ERISA” means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.
- Section 1.39 “Fiscal Year” means the fiscal year of the Company, which currently is the twelve-month period commencing on the first day of October and ending on the last day of September of the following calendar year.
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- Section 1.40 “Grandfathered Deferred Compensation Plan Deferrals” means amounts deferred under the terms of this Plan as in effect as of December 31, 2004 (and the earnings credited thereon before, on or after January 1, 2005) for which (i) the Participant had a legally binding right as of December 31, 2004, to be paid the amount, and (ii) such right to the amount was earned and vested as of December 31, 2004 and was credited to the Participant’s Account.
- Section 1.41 “Grandfathered Restoration Plan Benefit” means amounts deferred under the terms of the Restoration Plan as in effect as of December 31, 2004 for which the Participant had a legally binding right as of December 31, 2004 and which amount was earned and vested as of December 31, 2004. The calculation of a Participant’s Grandfathered Restoration Plan Benefit shall equal the present value of the amount to which the Participant would have been entitled under the Restoration Plan if the Participant voluntarily terminated employment on December 31, 2004, and received a payment of the benefits available from the Restoration Plan on the earliest possible date allowed under the Restoration Plan to receive a payment of benefits following the termination of employment, and received the benefits in the form with the maximum value. Notwithstanding the foregoing, for any subsequent taxable year of the Participant, the Grandfathered Restoration Plan Benefit may increase to equal the present value of the benefit the Participant actually becomes entitled to, in the form and at the time actually paid, determined under the terms of the Restoration Plan, as in effect on October 3, 2004, without regard to any further services rendered by the Participant after December 31, 2004, or any other events affecting the amount of or the entitlement to benefits (other than the Participant’s election with respect to the time or form of an available benefit). For purposes of calculating the present value of a benefit under this Section, actuarial assumptions and methods to be used will be the same as those used to value benefits under the BD Retirement Plan and shall otherwise be made in accordance with Reg. §1.409A-6(a)(3)(i).
- Section 1.42 “Investment Election” means the Participant’s election to have deferred amounts credited with hypothetical earnings credits (or losses) that track the investment performance of the Investment Options and/or Common Stock in accordance with Article V.
- Section 1.43 “Investment Options” means those hypothetical targeted investment options designated by the Committee as measurements of the rate of return to be credited to (or charged against) amounts deferred to Participants’ Accounts.
- Section 1.44 “Other Stock-Based Awards” means awards granted under Section 9 of the Equity-Based Compensation Plan.
- Section 1.45 “Participant” means a common law employee of the Company who meets the eligibility and participation requirements set forth in Article II.
- Section 1.46 “Performance Units” means awards granted under Section 8 of the Equity-Based Compensation Plan.
- Section 1.47 “Plan” means the BD Deferred Compensation and Retirement Benefit Restoration Plan as from time to time in effect. Previously, the terms of this Plan were determined under the terms of the Restoration Plan and the Becton, Dickinson and Company Deferred Compensation Plan (previously the Becton, Dickinson and Company Salary and Bonus Deferral Plan), which are hereby consolidated into a single document.
- Section 1.48 “Plan Year” means the calendar year.
- Section 1.49 “Restricted Stock Units” means Restricted Stock Units granted under Section 7 of the Equity-Based Compensation Plan.
- Section 1.50 “Restoration Plan” means the Becton, Dickinson and Company Retirement Benefit Restoration Plan, as amended and restated from time to time.
- Section 1.51 “Restoration Plan Benefit” means the Participant’s benefit described in Article IV of this Plan.
- Section 1.52 “Retirement Plan” means the BD Retirement Plan, as it may be amended and restated from time to time.
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- Section 1.53 “Separation from Service” means a termination of employment or other separation from service from the Company as described in Code Section 409A and the regulations thereunder.
- Section 1.54 “Specified Employee” means a person identified in accordance with procedures adopted by the Committee that reflect the requirements of Code Section 409A(a)(2)(B)(i) and applicable guidance thereunder.
- Section 1.55 “Spouse” means the individual to whom the Participant is legally married on the date of death or other benefit commencement.
- Section 1.56 “Stock Award Plan” means the Becton, Dickinson and Company Stock Award Plan as the same may be amended from time to time.
- Section 1.57 “Stock Trust” means the Becton, Dickinson and Company Deferred Salary and Bonus Trust established as of August 15, 1996 between the Company and Wachovia Bank of North Carolina, N.A., as amended from time to time thereafter.
- Section 1.58 “Total Eligible Compensation” means the base salary or wages and bonus otherwise taken into account under the 401(k) Plan, determined in accordance with the provisions of such plan, but without regard to the limitation on compensation otherwise required under Code Section 401(a)(17), and without regard to any deferrals of the foregoing of compensation under this or any other plan of deferred compensation maintained by the Company; provided, however, that Total Eligible Compensation for a Plan Year shall not exceed three (3) times the dollar limit otherwise in effect for such Plan Year under Code Section 401(a)(17).

**ARTICLE II**  
**Eligibility and Participation**

Section 2.1 Eligibility.

- (a) Only “Eligible Employees” who meet the conditions of this Article II shall be eligible to become a Participant in this Plan. Unless the Committee determines otherwise, any employee of the Company (or any subsidiary or affiliate of the Company) who participates in the Retirement Plan and whose benefits under the Retirement Plan are limited pursuant to the provisions included in the Retirement Plan in order to comply with Code Sections 401(a)(17) or 415, shall be an Eligible Employee with respect to benefits payable under Article IV and Section 3.6 (*i.e.*, eligibility for the restoration portion of the Plan). An “Eligible Employee” for purposes of Sections 3.1, 3.2, 3.3, 3.4, and 3.5 (*i.e.*, eligibility for the deferred compensation portion of the Plan) is an individual who meets the following requirements:
- (i) the individual is a common law employee of a unit of the Company (or of one of its subsidiaries) to which the Plan has been adopted pursuant to a decision by, or with the approval of, the Board of Directors;
  - (ii) the individual is not a nonresident alien of the United States receiving no United States source income within the meaning of Sections 861(a)(3) or 911(d)(2) of the Code; and
  - (iii) the employee has annualized Base Salary of \$205,000 or more (indexed annually by the same amount as the compensation limit under Code Section 401(a)(17)) for the calendar year in which the Deferral Election is required to be made.
- (b) The Committee shall have the ability to adjust, prospectively for any Plan Year, the dollar limitation in Section 2.1(a) (iii). The Committee may also:
- (i) designate as ineligible particular individuals, groups of individuals or employees of business units who otherwise would be eligible under Section 2.1(a); or
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(ii) designate as eligible particular individuals, groups of individuals or employees of business units who otherwise would be ineligible under Section 2.1(a); provided, however, that any such designations shall be made in a manner consistent with the requirements of Code Section 409A and the regulations and other guidance thereunder to avoid adverse tax consequences to affected Participants.

- (c) An employee who, at any time, ceases to meet the foregoing eligibility requirements, as determined in the sole discretion of the Committee, shall thereafter cease to be a Participant eligible to continue making deferrals under the Plan, effective as of the first day of the Plan Year coincident with or next following the date of such cessation of eligibility in a manner consistent with the requirements of Code Section 409A and the regulations and other guidance issued thereunder to avoid adverse tax consequences to affected Participants, and any deferral elections then in effect shall cease to be effective as of the first day of such Plan Year. In such case, the individual may remain a Participant in the Plan with respect to amounts already deferred prior to the date such individual ceased to be an active Participant.

## Section 2.2 Participation.

- (a) General Rule. An Eligible Employee shall become an active Participant in the Plan at such time as the Eligible Employee either: (i) makes a timely Deferral Election pursuant to Subsections (b) and (c) herein; and/or (ii) meets the requirements under Subsection (d) with respect to eligibility for a Restoration Plan Benefit.
- (b) Deferral Election. As soon as practicable after the Committee determines that an individual is an Eligible Employee, the Committee shall provide the Eligible Employee with the appropriate election forms with which to make a Deferral Election. The Eligible Employee shall make the Deferral Election in the manner set forth in Subsection (c) herein and within the time periods set forth in Article III. In the case of an employee who first becomes an Eligible Employee under this Plan (and is not eligible for any other plan with which this Plan is aggregated for purposes of Code Section 409A) during a Plan Year, such Deferral Election may be made within the first thirty (30) days of eligibility with respect to any Base Salary to be earned thereafter for the remainder of the Plan Year. In the case of an employee who first becomes an Eligible Employee under this Plan (and is not eligible for any other plan with which this Plan is aggregated for purposes of Code Section 409A) during a Plan Year, such Deferral Election within the first thirty (30) days of eligibility may also be made with respect to any Equity-Based Compensation awarded or granted at the time of hire and to be earned after the date of the Deferral Election. If the Participant does not return the completed forms to the Committee at such time as required by the Committee, the Participant will not be allowed to participate in the Plan until the next Annual Open Enrollment Period. All Deferral Elections hereunder (including any modifications of prior Deferral Elections otherwise permitted under the Plan) may be made in accordance with written, electronic or telephonic procedures prescribed by the Committee.
- (c) Contents of Deferral Election. A Participant's Deferral Election must be made in the manner designated by the Committee and must be accompanied by:
- (i) any election to defer Base Salary and/or Bonus;
  - (ii) any election to defer Equity-Based Compensation and a deferral period election with respect to Equity-Based Compensation, as determined by the Committee;
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- (iii) any election to defer payment of Restoration Plan Benefits (if applicable) and any Company Discretionary Credits and a separate deferral period election with respect to each such separate category of deferral;
  - (iv) an Investment Election (except with respect to an Equity-Based Compensation Election, which shall automatically be credited to a Deferred Stock Account for investment return purposes), in accordance with the provisions of Article V;
  - (v) a designation of a Beneficiary or Beneficiaries to receive any deferred amounts owed upon the Participant's death;
  - (vi) subject to Section 2.2(c)(i), a designation as to the form of distribution for each separate year's deferral and each separate category of deferral (Company Matching Credit deferrals will be subject to the Participant's distribution option elections with respect to Base Salary provided, however, that if the Participant does not make a Base Salary election but does make a Bonus deferral election, then the Participant's Company Matching Credit deferrals will be subject to the Participant's distribution option elections with respect to Bonus); provided, however, that if no specific election is made with respect to any deferred amount, the Participant will be deemed to have elected to receive such amounts in the form of a lump sum distribution (in cash and, solely to the extent distributable amounts are credited to the Participant's Deferred Stock Account at the time of the distribution, shares of Common Stock);
  - (vii) an application for a policy of life insurance under which the Participant is the insured and the Company is the sole owner of and beneficiary under such policy; and
  - (viii) such additional information as the Committee deems necessary or appropriate.
- (d) Unless the Committee determines otherwise or unless otherwise provided in an Agreement, if any, an Eligible Employee who participates in the Retirement Plan and whose benefits under the Retirement Plan are limited pursuant to the provisions included in the Retirement Plan in order to comply with Code Sections 401(a)(17) or 415, shall automatically become a Participant in this Plan with respect to benefits payable under Article IV.
- (e) The participation of any Participant may be suspended or terminated by the Committee at any time, but no such suspension or termination shall operate to reduce any benefits accrued by the Participant under the Plan prior to the date of suspension or termination and, further, any such suspension or termination may only be done in a manner consistent with the requirements of Code Section 409A and the regulations and other guidance issued thereunder to avoid adverse tax consequences to affected Participants.

**ARTICLE III**  
**Deferral Elections and Deferral Periods**

Section 3.1 Deferred Salary Election.

- (a) Each Participant who has elected to defer the maximum pre-tax elective deferral that is permitted for a calendar year under the 401(k) Plan and Code Section 402(g) may make a Deferred Salary Election with respect to Base Salary otherwise to be paid in such calendar year. A Participant may elect to defer from 1% to 75% of the Participant's Base Salary (in increments of 1%). Notwithstanding the foregoing, any Deferred Salary Election must be made in a manner that will ensure that the Participant is paid a sufficient amount of Base Salary that will allow adequate amounts available for (i)
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any pre-tax elective deferrals under the 401(k) Plan, and (ii) any amounts to be deferred by the Participant in order to participate in any other benefit programs maintained by the Company.

- (b) Except with respect to Deferred Salary Elections made by Participants who first become eligible to participate during a Plan Year (which elections must be made as specified in Section 2.2(b)), a Deferred Salary Election with respect to Base Salary for a particular calendar year must be made during the time period specified by the Committee, but in no event later than the December 31 preceding the commencement of that calendar year or at such earlier time as determined by the Committee. Once a Deferred Salary Election is made, it shall be irrevocable after the final deadline established by the Committee for making the election. Such Deferred Salary shall be credited to the Participant's Deferred Salary Account as of the first business day after the last day of each payroll period.

Section 3.2 Deferred Bonus Election.

- (a) Each Participant who agrees to defer the maximum pre-tax elective deferral that is permitted for a calendar year under the 401(k) Plan and under Code Section 402(g) may elect to make a Deferred Bonus Election with respect to a Bonus otherwise to be paid in the calendar year immediately following (or, in the discretion of the Committee, in a later year following) the year of the Participant's Deferred Bonus Election. A Participant may elect to defer from 1% to 100% of the Participant's Bonus (in increments of 1%); provided, however, that the Participant's Deferred Bonus Election must result in a deferral of at least \$5,000. In the event that Participant's Deferred Bonus Election does not result in a deferral of at least \$5,000 but the Participant's Bonus is at least \$5,000, such Participant's Deferred Bonus Election shall be automatically increased to the percentage that results in a deferral of \$5,000. In the event that the Participant's Bonus is less than \$5,000, such Participant's Deferred Bonus Election shall be void.
- (b) A Deferred Bonus Election with respect to any Bonus to be earned during a Fiscal Year must be made no later than the date that is six months before the end of the performance period (which performance period shall not be less than twelve months) or such other earlier date designated by the Committee. Once made, a Deferred Bonus Election cannot be changed or revoked after the final deadline established by the Committee for making the election, except as provided herein. Such Deferred Bonus shall be credited to the Participant's Deferred Bonus Account as of the first business day in January of the year that the Bonus otherwise would have been paid to the Participant in the absence of any deferral hereunder.

Section 3.3. Deferred Equity-Based Compensation Election.

- (a) To the extent permitted by law on a tax deferred basis, each Participant may elect to make a Deferred Equity-Based Compensation Election with respect to Equity-Based Compensation otherwise to be granted in the calendar year immediately following (or, in the discretion of the Committee, in a later year following) the year of the Participant's Deferred Equity-Based Compensation Election. A Participant may elect to defer his or her Equity-Based Compensation, and may make separate elections with respect to each of the Participant's Restricted Stock Units, Performance Units, Other Stock-Based Awards, and awards under the Stock Award Plan, provided, however, that, the Participant's Equity-Based Compensation for each type of Equity-Based Compensation must result in a deferral of at least 25% of such type of Equity-Based Compensation.
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- (b) Except with respect to Deferred Equity-Based Compensation Elections made by Participants who first become eligible to participate during a Plan Year (which elections must be made as specified in Section 2.2(b)), a Deferred Equity-Based Compensation Election with respect to any Equity-Based Compensation to be granted in a particular calendar year must be made during the time period specified by the Committee, but in no event later than the December 31 preceding the commencement of that calendar year or at such earlier time as determined by the Committee. Notwithstanding the foregoing, with respect to a Deferred Equity-Based Compensation Election governing Restricted Stock Units that are designated as performance-based compensation by the Company and that qualify as performance-based compensation under Code Section 409A and any guidance thereunder, such Deferred Equity-Based Compensation Election must be made no later than the date that is six months before the end of the performance period (which performance period shall not be less than twelve months) or such other earlier date designated by the Company, provided, however, that to be eligible to make any such Deferred Equity-Based Compensation Election the Participant must have provided services to the Company (or one of its subsidiaries) from the later of the date the performance period starts or the date the performance criteria are established through the date the Deferred Equity-Based Compensation Election is made. Once made, a Deferred Equity-Based Compensation Election cannot be changed or revoked after the final deadline established by the Committee for making the election, except as provided herein. Such Deferred Equity-Based Compensation shall be credited to the Participant's Deferred Equity-Based Compensation Account as soon as practicable after the Equity-Based Compensation otherwise would vest and be paid, and will be credited for investment tracking purposes to the Participant's Deferred Stock Account under Section 5.3(b).

Section 3.4 Company Matching Credits.

- (a) Effective for deferrals made on or after January 1, 2016, if a Participant has made a Deferred Salary Election in accordance with Section 3.1 or a Deferred Bonus Election in accordance with Section 3.2, then the Participant shall be eligible to have Company Matching Credits credited to the Participant's Company Matching Credit Account in accordance with Section 3.4(b). The maximum potential Company Matching Credits for a Participant under this Plan for a Plan Year shall equal the difference between 4.5% of Total Eligible Compensation minus the maximum Company matching contribution available to the Participant under the BD 401(k) Plan (other than catch-up contributions). If a Participant has deferred less than 6% of Total Eligible Compensation, taking into account deferrals under this Plan and pre-tax elective deferrals under the BD 401(k) Plan (other than catch-up contributions), then the actual Company Matching Credits to be credited to a Participant's Company Matching Credit Account shall equal 75% of the total of the Participant's Deferred Salary and Deferred Bonus under this Plan plus the Participant's pre-tax elective deferrals under the BD 401(k) Plan (other than catch-up contributions), less the matching contribution to which the Participant is entitled under the BD 401(k) Plan.
  - (b) Company Matching Credits under Section 3.4(a) shall be credited to the Participant's Company Matching Credit Account as soon as practicable as determined by the Committee after such deferral is credited to the Participant's Deferred Salary Account and/or Deferred Bonus Account, but in no event less frequently than on an annual basis, and shall be subject to the overall Plan Year limit on such amounts described in Section 3.4(a) and the vesting schedule described in Article V.
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Section 3.5 Company Discretionary Credits.

The Company may, in its sole discretion, provide for additional credits to all or some Participants' Accounts at any time. Such amounts shall be credited to the Participant's Company Discretionary Credit Account and shall be subject to the vesting schedule established by the Company at the time such amounts are credited.

Section 3.6 Deferred Restoration Distribution Election.

(a) General Rule. Each Participant who is eligible to receive a Restoration Plan Benefit under the Plan may elect, in accordance with this Section 3.6, to make a Deferred Restoration Distribution Election with respect to a Restoration Plan Benefit that is otherwise to be paid to the Participant. If a Participant makes such an election, the Participant must elect to defer 100% of the value of the Participant's applicable Restoration Plan Benefit. To the extent a Participant's Restoration Plan Benefit is attributable to the final average pay benefit formula under the Retirement Plan and not described in Section 4.4(b)(i)(D), the value of such Restoration Plan Benefit shall equal the actuarial present value (at the time payment becomes due) of the portion of the Participant's (or Beneficiary's) Restoration Plan Benefit based on the final average pay formula, determined as of normal retirement age under the Retirement Plan, based on the Applicable Interest Rate and the Applicable Mortality Table (as such terms are defined in the Retirement Plan) used under the Retirement Plan for calculating present value. To the extent a Participant's Restoration Plan Benefit is attributable to the cash balance benefit formula under the Retirement Plan or is otherwise described in Section 4.4(b)(i)(D) below, the value of such Restoration Plan Benefit shall equal the Participant's Restoration Plan Benefit hypothetical account balance at such time. Once deferred, such amounts shall be credited to the Participant's Deferred Restoration Distribution Account as provided for in Article V. Amounts held in a Deferred Restoration Distribution Account may not be paid in the form of an annuity and may only be paid in a form otherwise available to amounts credited to a Deferred Salary Account, as provided for in Article VI.

(b) Grandfathered Restoration Plan Benefit. With respect to amounts equal to a Participant's Grandfathered Restoration Plan Benefit, a Deferred Restoration Distribution Election with respect to any amounts payable during a particular calendar year must be made at least one year before the date that the Grandfathered Restoration Plan Benefit is otherwise payable to the Participant pursuant to Section 4.4. Once made, such a Deferred Restoration Distribution Election cannot be changed or revoked except as provided herein. If the Participant otherwise becomes entitled to a distribution of a Restoration Plan Benefit after having made such an election and before the end of such one-year period, such election shall be ineffective and the applicable Restoration Plan Benefit payment shall not be deferred hereunder. Any such Deferred Restoration Distribution shall be credited to the Participant's Deferred Restoration Distribution Account as soon as practicable after such amount would otherwise have been payable to the Participant. The amount in the Participant's Deferred Restoration Distribution Account attributable to the Participant's Grandfathered Restoration Plan Benefit shall be payable under this Plan as follows:

(i) If the Participant has otherwise made a Deferred Salary Election under Section 3.1 for the year that the Participant made a Deferred Restoration Distribution Election, the amount credited to the Participant's Deferred Restoration Distribution Account shall be payable at the same time and in the same form of distribution as any such Deferred Salary.

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- (ii) If the Participant has not made a Deferred Salary Election but has otherwise made a Deferred Bonus Election under Section 3.2 for the year that the Participant made a Deferred Restoration Distribution Election, the amount credited to the Participant's Deferred Restoration Distribution Account shall be payable at the same time and in the same form of distribution as any such Deferred Bonus.
  - (iii) If the Participant has not made a Deferred Salary Election under Section 3.1 nor a Deferred Bonus Election under Section 3.2 for the year that the Participant made a Deferred Restoration Distribution Election, the amount credited to the Participant's Deferred Restoration Distribution Account equal to a Participant's Grandfathered Restoration Plan Benefit shall be payable in the form of a single lump sum payment at the Participant's termination of employment unless the Participant makes an election to change the time and form of payment of such amount in accordance with the terms of this Plan.
- (c) Non-Grandfathered Restoration Plan Benefit. A Participant's Deferred Restoration Distribution Election with respect to amounts in excess of a Participant's Grandfathered Restoration Plan Benefit payable during a particular calendar year must specify the time and form of payment otherwise the Participant's Deferred Restoration Plan Benefit shall be payable in the form of a single lump sum payment at the Participant's termination of employment. In addition, such Deferred Restoration Distribution Election shall not be effective unless the following requirements are met:
- (i) the election will not take effect until at least twelve months after the date on which the election is made and will not be recognized with respect to payments that would otherwise have commenced during such twelve-month period;
  - (ii) except for payments made on account of a Participant's death, the first payment with respect to which such election is made shall be deferred for a period of not less than five years from the date such payment would otherwise have been made;
  - (iii) any election related to payments that would otherwise have commenced as of a specified time, as opposed to the Participant's Separation from Service, may not be made less than twelve months prior to the date on which such payments would otherwise have commenced; and
  - (iv) any such additional deferral election shall not be effective if it would otherwise result in deferring amounts later than the mandatory distribution provisions of Article VI.

Section 3.7 Deferral Period.

- (a) In accordance with Section 2.2(b), and subject to the limitation of Section 3.7(b), each Participant must elect the deferral period for each separate category of deferral (including, effective for deferral elections made on or after January 1, 2005, any Restoration Plan Benefit or part thereof credited to a Participant's Deferred Restoration Distribution Account). Subject to the additional deferral provisions of Section 3.8 and the acceleration provisions of Article VI, a Participant's deferral period with respect to amounts deferred other than those described in Section 3.7(b) may be for a specified number of years or until a specified date, subject to any limitations that the Committee in its discretion may choose to apply (which limitations shall comply with the requirements for tax deferral under Code Section 409A), provided that, in all events, a deferral period must be for at least two (2) years from the first day of the Plan Year in which the deferred amounts would otherwise be payable (or, in the case of amounts described in Section 3.4, credited to the Participant's Account). However,
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notwithstanding the deferral period otherwise specified, payments shall be paid or begin to be paid under the Plan in accordance with the mandatory distribution provisions in Article VI and any election which would otherwise result in a deferral beyond any applicable mandatory distribution age is invalid.

- (b) Notwithstanding the provisions of Section 3.7(a) and Section 2.2(b), and subject to Section 6.1(f), all Company Matching Credits credited to a Participant's Company Matching Credit Account pursuant to Section 3.4 shall be deferred until the Participant's Separation from Service and may not be deferred to a specified date prior to such Participant's Separation from Service. The foregoing notwithstanding, in any case where the Participant is a Specified Employee, payment of the amounts under this Section 3.7(b) on account of the Participant's Separation from Service shall be deferred until as soon as practicable after the earlier of (i) the first day of the seventh month following the Participant's Separation from Service (without regard to whether the Participant is reemployed on that date), or (ii) the date of the Participant's death, subject to any permitted further deferral election on account of a change in form of payment.

Section 3.8 Modification of Deferral Period.

- (a) Additional Deferral - Grandfathered Deferrals With respect to any previously deferred Grandfathered Deferred Compensation Plan Deferrals or Grandfathered Restoration Plan Benefit credited to a Participant's Accounts, a Participant may request that the Committee approve an additional deferral period of at least two (2) years from the date the previously deferred amounts were otherwise payable. Any such request must be made by written notice to the Committee at least twelve (12) months before the expiration of the deferral period for any previously deferred amount with respect to which an additional deferral election is requested. A separate additional deferral election is required to be made for each separate category of previously deferred amounts that is treated as subject to a single deferral period election under Section 2.2(b) above. Each such additional deferral election request shall include a newly designated manner of payment election in accordance with the provisions of Section 6.2 below. No more than two such extensions may be elected by a Participant with respect to any specific deferred amount and no such additional deferral may result in amounts deferred beyond the mandatory distribution provisions of Article VI.
  - (b) Additional Deferral - Non-Grandfathered Deferrals With respect to any deferred amounts credited to a Participant's Accounts in excess of a Participant's Grandfathered Deferred Compensation Plan Deferrals or Grandfathered Restoration Plan Benefit an additional deferral election otherwise described in Section 3.8(a) may be made, provided that such election shall not be effective unless the following requirements are met:
    - (i) the election will not take effect until at least twelve months after the date on which the election is made and will not be recognized with respect to payments that would otherwise have commenced during such twelve-month period;
    - (ii) except for payments made on account of a Participant's death or financial hardship under Section 6.1(f), the first payment with respect to which such election is made shall be deferred for a period of not less than five years from the date such payment would otherwise have been made;
    - (iii) any election related to payments that would otherwise have commenced as of a specified time, as opposed to the Participant's Separation from Service, may not be made less than twelve months prior to the date on which such payments would otherwise have commenced; and
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- (iv) any such additional deferral election shall not be effective if it would otherwise result in deferring amounts later than the mandatory distribution age provisions of Article VI.
- (c) Accelerated Distribution For Grandfathered Deferrals. With respect to any Grandfathered Deferred Compensation Plan Deferrals or Grandfathered Restoration Plan Benefit credited to a Participant's Accounts, a Participant may request that the Committee approve an accelerated deferral date with respect to amounts that are not otherwise payable for at least three (3) years from the date of such request, provided that the resulting accelerated deferral date may not be any earlier than two (2) years from the date of such Participant election. A separate deferral modification election is required to be made for each separate category of previously deferred amount that is treated as subject to a single deferral period election under Section 2.2(b) above. Each such modified deferral period request shall include a newly designated manner of payment election in accordance with the provisions of Section 6.2 below. No more than two such modifications may be elected by a Participant with respect to any specific deferred amount. No such election may be made with respect to any amounts deferred under this Plan in excess of any Grandfathered Deferred Compensation Plan Deferrals or Grandfathered Restoration Plan Benefit credited to a Participant's Accounts.

**ARTICLE IV**  
**Restoration Benefits**

Section 4.1 Amount of Restoration Plan Benefit

- (a) A Participant's Restoration Plan Benefit hereunder shall equal the excess (if any) of (i) the benefit that would have been payable under the Retirement Plan in respect of the Participant in the absence of the provisions included in the Retirement Plan in order to comply with Sections 401(a)(17) and 415 of the Code, over (ii) the benefit actually payable in respect of the Participant under the Retirement Plan.
  - (b) Effective as of January 1, 2005, for purposes of calculating a Participant's Restoration Plan Benefit under Section 4.1(a), if, as determined by the Committee in its sole discretion, a Participant (i) permanently directly transferred employment from a foreign affiliate of the Company that has not adopted the Retirement Plan and this Plan to a member of the Group (as defined in the Retirement Plan) that has adopted the Retirement Plan and this Plan or to a Unit (as defined in the Retirement Plan) to which participation in the Retirement Plan and this Plan has been extended, and (ii) while employed by the foreign affiliate, had what the Committee determines (in its sole discretion) to be an agreement with such foreign affiliate to provide for deferred compensation that recognized the Participant's period of employment by the foreign affiliate and compensation paid to the Participant by the foreign affiliate, then the Participant's period of employment by the foreign affiliate and compensation paid to the Participant by the foreign affiliate during the Participant's period of employment with the foreign affiliate shall be taken into account solely under this Plan to the same extent that such period of employment and compensation would have otherwise been taken into account had it been employment with and compensation paid by the Company, a member of the Group that has adopted the Retirement Plan and this Plan, or a Unit to which participation in the Retirement Plan and this Plan has been extended. In addition, any such Participant's Restoration Plan Benefit shall be offset, solely to the extent permitted under Code Section 409A, for (i) any Social Security or other governmental pension or retirement benefit earned during the Participant's period of
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employment with the foreign affiliate; and (ii) any retirement benefit the Participant is entitled to under a foreign based retirement plan sponsored by the Company or member of the Group.

Section 4.2 Pre-Retirement Restoration Death Benefit.

In the event of the death of a Participant before Restoration Plan Benefits have commenced to be paid hereunder (a pre-retirement death), the Participant's Beneficiary shall be entitled to a benefit equal to the excess (if any) of (i) the benefit that would have been payable under the Retirement Plan to the Beneficiary on account of the Participant's death in the absence of the provisions included in the Retirement Plan in order to comply with Sections 401(a)(17) and 415 of the Code (and taking into account service and compensation described in Section 4.1(b)), over (ii) the benefit actually payable to the Beneficiary on account of the Participant's death under the Retirement Plan. Such benefit is hereinafter referred to as a "Restoration Plan Death Benefit." Subject to Section 4.5, and notwithstanding the provisions of Section 4.4 (and any procedures adopted thereunder), and unless provided otherwise in a Participant's Agreement, if any, the Restoration Plan Death Benefit payable to a Beneficiary on account of a Participant's death before Restoration Plan Benefits have been paid or commenced to be paid hereunder (a pre-retirement death) shall be paid to the Participant's Beneficiary in a cash lump sum as soon as practicable following the earliest date that any such pre-retirement death benefit would otherwise be payable to such Beneficiary under the Retirement Plan (whether or not such Retirement Plan benefit is actually paid or commenced at such date).

Section 4.3 Early Retirement Adjustments.

The calculations made in Sections 4.1 and 4.2 shall reflect any applicable adjustments under the Retirement Plan for early commencement and the form of benefit elected.

Section 4.4 Payment of Restoration Plan Benefits.

- (a) Grandfathered Restoration Plan Benefit. Subject to Section 4.5, the further provisions of this Article IV, and a Participant's Agreement, if any, and unless deferred under Section 3.6, a Participant's Grandfathered Restoration Plan Benefit shall be paid to a Participant at such time and in such form as determined in accordance with procedures adopted and approved by the Compensation and Benefits Committee of the Board of Directors of the Company (or any committee successor thereto), which procedures were in effect as of October 3, 2004. A copy of such procedures is attached hereto as Attachment A.
  - (b) Non-Grandfathered Restoration Plan Benefit. *(NOTE: By way of reference, the Retirement Plan was amended effective April 1, 2007 to add a cash balance formula for determining the benefits available under the Retirement Plan. Pursuant to the terms of the Retirement Plan, the cash balance formula is used to determine the benefits of participants who were hired by the Company on or after April 1, 2007 as well as those participants who were actively participating in the Retirement Plan on that date and who affirmatively elected to be covered under the cash balance provisions of the Plan. The benefits of participants who were active prior to April 1, 2007 and who did not elect cash balance coverage are determined under the Retirement Plan's final average pay formula. If any such participant terminates and is subsequently reemployed, that participant's benefit for service performed after reemployment will be determined under the cash balance provisions of the Retirement Plan, whereas his benefit attributable to his prior employment will be determined under the final average pay provisions of the Retirement Plan. Consistent with Section 409A and the guidance issued thereunder, and as confirmed in Q&A 39 of the ABA Section of Taxation's 2008 IRS Q&A Report, this Plan provides different time and form of payment with respect to separately identifiable amounts attributable to Restoration Plan Benefits calculated*
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*using the cash balance formula versus those calculated using the final average pay formula.)* Except as otherwise provided herein, or otherwise provided in a Participant's Agreement, if any, and unless deferred under Section 3.6, Restoration Plan Benefit amounts in excess of the Grandfathered Restoration Plan Benefit shall be payable to a Participant as follows:

- (i) **Normal Form of Payment.** A Participant's vested Restoration Plan Benefit shall be paid in the "Normal Form of Payment," which is a single lump sum payment determined as follows:
    - (A) **FAP Participant.** With respect to a Participant whose Restoration Plan Benefit is determined using the final average pay formula under the Retirement Plan, the Normal Form of Payment shall be a single lump sum payment that shall equal the actuarial present value (at the time payment becomes due) of the Participant's Restoration Plan Benefit based on the final average pay formula, determined as of normal retirement age under the Retirement Plan, based on the Applicable Interest Rate and the Applicable Mortality Table (as such terms are defined in the Retirement Plan) used under the Retirement Plan for calculating present values.
    - (B) **Cash Balance Participant.** With respect to a Participant whose Restoration Plan Benefit is determined using the cash balance formula under the Retirement Plan, the Normal Form of Payment shall be a single lump sum payment equal to the Participant's Restoration Plan Benefit (at the time payment becomes due) determined in accordance with Section 4.1, expressed as an account balance benefit.
    - (C) **FAP and Cash Balance Participant.** For a Participant whose Restoration Plan Benefit is determined using both the final average pay formula and the cash balance formula under the Retirement Plan, the Normal Form of Payment with respect to the portion of the Participant's Restoration Plan Benefit calculated using the final average pay formula under the Retirement Plan shall be as described in subparagraph (A) and the Normal Form of Payment with respect to the portion of the Participant's Restoration Plan Benefit calculated using the cash balance formula under the Retirement Plan shall be as described in subparagraph (B) above.
    - (D) **Cash Balance Conversion Participant.** For a Participant whose benefit under the Retirement Plan is converted on or after January 1, 2013 from being calculated using the final average pay formula under the Retirement Plan to being calculated using the cash balance formula under the Retirement Plan, the Normal Form of Payment for the Participant's entire Restoration Plan Benefit shall be as described in subparagraph (B) above.
  
  - (ii) **Timing of Payment.** A Participant's vested Restoration Plan Benefit shall be paid or commence to be paid in the Normal Form of Payment as follows:
    - (A) **FAP Participant.** Subject to subparagraph (E) below, to the extent that a Participant's Restoration Plan Benefit is determined using the final average pay formula under the Retirement Plan, amounts shall commence to be paid as soon as practicable after the later of (I) the Participant's Separation from Service or (II) the earliest date on which
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the Participant first becomes eligible to receive or commence receiving benefits under the Retirement Plan after Separation from Service (i.e., the earlier of attainment of age 55 with 10 years of service as determined under the Retirement Plan or age 65) regardless of the time benefits are actually paid or commence to be paid under the Retirement Plan.

- (B) Cash Balance Participant. Subject to subparagraph (E) below, if a Participant's Restoration Plan Benefit is determined using the cash balance formula under the Retirement Plan, amounts shall be paid as soon as practicable after the Participant's Separation from Service.
  - (C) FAP and Cash Balance Participant. Subject to subparagraph (E) below, to the extent that a Participant's Restoration Plan Benefit is determined using both the final average pay formula and the cash balance formula under the Retirement Plan, payment shall commence with respect to the portion of the Participant's Restoration Plan Benefit calculated using the final average pay formula under the Retirement Plan on the date described in subparagraph (A) above and payment shall commence with respect to the portion of the Participant's Restoration Plan Benefit calculated using the cash balance formula under the Retirement Plan on the date described in subparagraph (B) above.
  - (D) Cash Balance Conversion Participant. Subject to subparagraph (E) below, in the case of a Participant whose benefit under the Retirement Plan is converted on or after January 1, 2013 from being calculated using the final average pay formula under the Retirement Plan to being calculated using the cash balance formula under the Retirement Plan, payment of such Participant's entire Restoration Plan Benefit shall commence on the date described in subparagraph (A) above.
  - (E) Specified Employee. In any case where the Participant is a Specified Employee and the Participant's Restoration Plan Benefit in excess of the Participant's Grandfathered Restoration Plan Benefit is payable on account of the Specified Employee's Separation from Service, the Participant's Restoration Plan Benefit under this Section shall be paid or commence to be paid as soon as practicable following the earlier of (I) or (II) where: (I) is the later of (A) the date otherwise provided under the Plan or (B) the first day of the seventh month following the Participant's Separation from Service (without regard to whether the Participant is reemployed on that date); and (II) is the date of the Participant's death.
- (iii) The Participant's ability to elect an alternate form of distribution other than the Normal Form of Payment is described in Section 6.2. The death benefits attributable to a Participant's Restoration Plan Benefit under the Plan in the event of the Participant's death after Restoration Plan Benefit payments have commenced, if any, will be determined pursuant to the terms of the form of payment elected by the Participant.

Section 4.5 Payment of Restoration Plan Benefit Following Change in Control.

- (a) Grandfathered Restoration Plan Benefit. Notwithstanding the provisions of Section 4.4 (and any procedures adopted thereunder), and unless provided otherwise in a Participant's Agreement, if any, each Participant's Grandfathered Restoration Plan Benefit shall (to the extent not previously paid or commenced to be paid) be paid to
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the Participant in a cash lump sum as soon as practicable, but not later than 45 business days, after a Participant's termination of employment following a Change in Control.

- (b) Non-Grandfathered Restoration Plan Benefit - FAP Participant and Cash Balance Conversion Participant. Notwithstanding the provisions of Sections 4.4(b)(ii)(A), 4.4(b)(ii)(C) and 4.4(b)(ii)(D) (and any procedures adopted thereunder), and unless provided otherwise in a Participant's Agreement, if any, to the extent that a Participant's Restoration Plan Benefit that is determined using the final average pay formula under the Retirement Plan or is otherwise described in Section 4.4(b)(i)(D) and that is in excess of his Grandfathered Restoration Plan Benefit, if any, shall (to the extent not previously paid or commenced to be paid) be paid to the Participant in a cash lump sum as soon as practicable, but not later than 45 business days, after the Participant's Separation from Service following a Change in Control; provided, however, that such a distribution shall only be made if: (i) the Change in Control satisfies the requirements of Code Section 409A(a)(2)(A)(v) (and the guidance issued thereunder) and such Separation from Service occurs within 2 years of the Change in Control; or (ii) distribution may otherwise be made under this Plan on account of Separation from Service.
- (c) Specified Employee. In any case where the Participant is a Specified Employee and the Participant's Restoration Plan Benefit in excess of the Participant's Grandfathered Restoration Plan Benefit is payable pursuant to Section 4.5(b) on account of the Specified Employee's Separation from Service within 2 years of a qualified Change in Control, payment of the Participant's Restoration Plan Benefit under this Section shall be deferred until the earlier of (i) first day of the seventh month following the Participant's Separation from Service (without regard to whether the Participant is reemployed on that date), or (ii) the date of the Participant's death.

Section 4.6 Restoration Plan Benefit on Account of Disability Retirement.

- (a) Grandfathered Restoration Plan Benefit. Notwithstanding the provisions of Section 4.4 (and in accordance with any procedures adopted thereunder), and unless provided otherwise in a Participant's Agreement, if any, a Participant who terminates employment on account of a Disability Retirement (as determined under the Retirement Plan) may make a written request to the Committee to receive payment of his Grandfathered Restoration Plan Benefit in a single lump sum as soon as practicable thereafter; provided however, that payment to a Participant under this Section 4.6 shall only be made if the Committee, in its sole and absolute discretion, determines to make such payment. Any decision by the Committee hereunder shall be final and binding. If a Participant's request is denied, payment of the Participant's Plan benefits shall be made in accordance with the otherwise applicable provisions of the Plan (and any procedures then in effect).
- (b) Non-Grandfathered Restoration Plan Benefit. Notwithstanding anything in the Plan to the contrary, if a Participant suffers a Disability and becomes Disabled, that portion of the Participant's Restoration Plan Benefit in excess of the Grandfathered Restoration Plan Benefit shall be paid on account of Disability in the form of a single lump sum cash payment as soon as practicable following the later of (i) the date the Participant attains age 65; or (ii) the date of the Participant's Disability. The amount of any such lump sum payment in respect of a Disabled Participant hereunder whose Restoration Plan Benefit is determined using the final average pay formula under the Retirement Plan shall equal the actuarial present value of the Participant's vested Restoration Plan Benefit determined as of the date such benefit payment becomes due hereunder, based on the Applicable Interest Rate and the Applicable Mortality Table (as such terms are
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defined in the Retirement Plan) used under the Retirement Plan for calculating the present value of optional forms of payment at the time payment is due under the Plan. The amount of any such lump sum payment in respect of a Disabled Participant hereunder whose Restoration Plan Benefit is determined using the cash balance formula under the Retirement Plan or that is otherwise described in Section 4.4(b)(i)(D) shall be the Participant's Restoration Plan Benefit as of the date such benefit payment becomes due hereunder, determined in accordance with Section 4.1. If such a Participant dies or incurs a Separation from Service prior to the date of payment under this Section 4.6(b), payment shall be made in accordance with the otherwise applicable provisions of this Plan.

**ARTICLE V**  
**Participants' Accounts**

Section 5.1 Crediting of Employee Deferrals and Company Matching and Discretionary Credits

Deferrals to this Plan that are made under Article III shall be credited to the Participant's Accounts in accordance with such rules established by the Committee from time to time. Each Participant's Accounts shall be administered in a way to permit separate Deferral Elections, deferral periods, and Investment Elections with respect to various Plan Year deferrals and compensation types as the Committee determines, in its sole discretion, are necessary or appropriate.

Section 5.2 Investment Election.

Participants' Investment Elections with respect to deferred amounts hereunder shall be made pursuant to the written, telephonic or electronic methods prescribed by the Committee and subject to such rules on Investment Elections and Investment Options as established by the Committee from time to time. Upon receipt by the Committee, and in accordance with rules established by the Committee, an Investment Election shall be effective as soon as practicable after receipt and processing of the election by the Committee. Investment Elections will continue in effect until changed by the Participant. Subject to Section 5.3(b), an eligible Participant may change a prior Investment Election (or default Investment Election) with respect to deferred amounts on a daily basis, by notifying the Committee, at such time and in such manner as approved by the Committee. Any such changed Investment Election may result in amending Investment Elections for prior deferrals or for future deferrals or both.

Section 5.3 Hypothetical Earnings.

- (a) General. Subject to Section 5.2, except as otherwise provided herein, additional hypothetical bookkeeping amounts shall be credited to (or deducted from) a Participant's Accounts to reflect the earnings (or losses) that would have been experienced had the deferred amounts been invested in the Investment Options selected by the Participant as targeted rates of return, net of all fees and expenses otherwise associated with the Investment Options. The Committee may add or delete Investment Options, on a prospective basis, by notifying all Participants whose Accounts are hypothetically invested in such Investment Options, in advance, and soliciting elections to transfer deferred amounts so that they track investments in other Investment Options then available.
  - (b) Company Stock Investment Option.
    - (i) A Participant's Deferred Equity Compensation is automatically credited in the form of Common Stock to the Participant's Deferred Stock Account. With respect to other deferred amounts hereunder, instead of having deferred amounts credited with hypothetical earnings (or losses) in accordance with
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Section 5.3(a), and subject to Section 5.2, a Participant may elect to have part of the Participant's deferred amounts (in whole percentage increments) credited in the form of Common Stock to a Deferred Stock Account; provided, however, that a Participant may not make an election to have any future deferred amounts credited to a Deferred Stock Account if, at the time of the election, more than 10% of the balance of the Participant's deferred amounts are credited to a Deferred Stock Account (disregarding amounts in the Participant's Deferred Equity Compensation Account, if any). For purposes of administering this rule and subject to the Committee's right to adopt administrative procedures pursuant to Section 5.3(b)(viii) below, the following additional rules apply:

- (A) Any Investment Election that is in effect on January 1, 2010, that would require future deferred amounts to be credited to the Participant's Deferred Stock Account and that would otherwise violate the 10% limitation set forth above shall be void and of no effect. In the absence of a Participant's amending such Investment Election on or before January 1, 2010, pursuant to procedures implemented by the Committee, the Participant's future deferred amounts that would otherwise have been credited to the Deferred Stock Account will be hypothetically invested in another Investment Option selected by the Committee for this purpose.
  - (B) Any Investment Election made after January 1, 2010, that would otherwise violate the 10% limitation set forth above shall be void and of no effect. In the absence of a Participant amending such Investment Election or otherwise making a new Investment Election that complies with this Section 5.3(b)(i), the Participant's future deferred amounts that would otherwise have been credited to the Deferred Stock Account will be hypothetically invested in another Investment Option selected by the Committee for this purpose.
- (ii) If the restrictions of Section 5.3(b)(i) do not apply (such that the Participant may otherwise elect to have deferred amounts credited to the Deferred Stock Account), in no event may a Participant make an Investment Election to have more than 10% of any future deferred amounts (disregarding Deferred Equity Compensation) credited to the Deferred Stock Account. Any Investment Election that would otherwise violate the provisions of this Section 5.3(b)(ii) shall be void and of no effect. In the absence of a Participant amending such Investment Election or otherwise making a new Investment Election that complies with this Section 5.3(b)(ii), the Participant's future deferred amounts that would otherwise have been credited to the Deferred Stock Account will be hypothetically invested in another Investment Option selected by the Committee for this purpose. Notwithstanding the foregoing, if any Investment Election otherwise in effect on January 1, 2010 would violate the limitations of this Section 5.3(b)(ii), then, in the absence of a Participant's amending that Investment Election on or before January 1, 2010, pursuant to procedures implemented by the Committee, the Participant's Investment Election will be modified so that the Investment Election is reduced so that 10% of future deferred amounts are credited to the Deferred Stock Account with the remaining deferred amounts hypothetically invested in another Investment Option selected by the Committee for this purpose.
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- (iii) Elections under this Section 5.3(b) may be made as a part of the Participant's Deferral Election and thereafter on the same basis as Participants are permitted to make other Investment Elections and using the same or similar procedures as Participants use to make other Investment Elections under Section 5.2. In addition, any amounts credited to a Participant's Accounts other than the Participant's Deferred Stock Account may be transferred for hypothetical investment tracking purposes to the Participant's Deferred Stock Account; provided, however, that a Participant may not elect any such transfer that would increase the Participant's hypothetical investment in Common Stock credited to the Deferred Stock Account if, at the time of the election or as a result thereof, more than 10% of the Participant's Deferred Stock Account (excluding any Deferred Equity-Based Compensation) is or would be credited to the Participant's Deferred Stock Account. Any transfer election that violates the provisions of this Section 5.3(b)(iii) shall be void and of no effect. In all events, once amounts are credited to a Participant's Deferred Stock Account, no Investment Election may cause amounts credited to a Participant's Deferred Stock Account to be transferred for hypothetical investment tracking purposes to a Participant's Accounts other than the Participant's Deferred Stock Account. All distributions of amounts credited to a Participant's Deferred Stock Account may only be distributed in whole shares of Common Stock (with cash for fractional shares).
  - (iv) A Participant's Deferred Stock Account will be credited:
    - (A) as of the first business day after the last day of each bi-weekly payroll period, with the number of shares of Common Stock (in whole shares and fractional shares, as determined by the Committee) determined by dividing the Participant's deferred amounts attributable to Deferred Salary for such bi-weekly payroll period subject to the Deferred Stock Election by the price for shares of Common Stock, determined by the Committee, as of the day such deferred amounts are credited to the Participant's Account; and
    - (B) annually, as of the first business day in January of each calendar year, with the number of shares of Common Stock (in whole shares and fractional shares, as determined by the Committee) determined by dividing the portion of the Participant's Deferred Bonus and Company Matching Credits subject to the Deferred Stock Election by the price for shares of Common Stock, determined by the Committee, as of the day such deferred amounts are credited to the Participant's Accounts; and
    - (C) at such other times as the Committee determines with respect to all other deferred amounts under the Plan, with the number of shares of Common Stock (in whole shares and fractional shares, as determined by the Committee) determined by dividing the portion of the Participant's deferred amounts to be credited in the Deferred Stock Account by the price for shares of Common Stock, determined by the Committee, as of the day such deferred amounts are credited to the Participant's Account, or, in the case of deferred amounts measured in stock units, by crediting the account with the same number of shares of Common Stock.
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- (v) If the Company enters into transactions involving stock splits, stock dividends, reverse splits or any other recapitalization transactions, the number of shares of Common Stock credited to a Participant's Deferred Stock Account will be adjusted (in whole shares and fractional shares, as determined by the Committee) so that the Participant's Deferred Stock Account reflects the same equity percentage interest in the Company after the recapitalization as was the case before such transaction.
  - (vi) If at least a majority of the Company's stock is sold or exchanged by its shareholders pursuant to an integrated plan for cash or property (including stock of another corporation) or if substantially all of the assets of the Company are disposed of and, as a consequence thereof, cash or property is distributed to the Company's shareholders, each Participant's Deferred Stock Account will, to the extent not already so credited under this Section 5.3(b), be (i) credited with the amount of cash or property receivable by a Company shareholder directly holding the same number of shares of Common Stock as is credited to such Participant's Deferred Stock Account and (ii) debited by that number of shares of Common Stock surrendered by such equivalent Company shareholder.
  - (vii) Each time the Company declares a dividend on its Common Stock, each Participant's Deferred Stock Account will be credited with a Dividend Reinvestment Return equal to that number of shares of Common Stock (in whole shares and fractional shares, as determined by the Committee) determined by dividing (i) the amount that would have been paid (or the fair market value thereof, if the dividend is not paid in cash) to the Participant on the total number of shares of Common Stock credited to the Participant's Deferred Stock Account had that number of shares of Common Stock been held by such Participant by (ii) the price for shares of Common Stock, determined by the Committee, as of the dividend payment date.
  - (viii) The Committee may adopt administrative procedures to implement the provisions of this Section 5.3(b).
- (c) Limitations on Allocations and Reallocations to and From Deferred Stock Account.
- In addition to the limitations of Section 5.3(b), pursuant to the Policy Statement on Insider Trading and Compliance, as the same may be amended (the "Policy"), there are time periods (each, a "blackout period") during which time Participants may not effect transactions, directly or indirectly, in Company equity securities. Under the Policy, the Company's Corporate Secretary may also impose additional blackout periods with respect to some or all Participants. Participants whose ability to effect transactions is prohibited during such blackout periods also will be prohibited during such periods from making any Investment Election or Deferred Stock Election that affects the amount credited to the Participant's Deferred Stock Account. The Committee, at the direction of the Company's Corporate Secretary, shall adopt and implement procedures to ensure that the provisions of this Paragraph are carried out. In all events, with respect to amounts in excess of a Participant's Grandfathered Deferred Compensation Plan Deferrals and Grandfathered Restoration Plan Benefit, to the extent that the blackout period results in a deferral of payment under the Plan, payment must be made at the earliest date at which the Company reasonably anticipates that the making of the payment will not cause a violation of federal securities laws or other applicable law.
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Section 5.4 Vesting.

- (a) Deferred Amounts. At all times a Participant shall be fully vested in his Deferred Salary, Deferred Bonus, Deferred Equity-Based Compensation, and Deferred Restoration Distribution Accounts hereunder (including any earnings or losses and Dividend Reinvestment Return thereon). A Participant shall become vested in any Company Matching Credits in the same manner and to the same extent as the Participant is vested in matching contributions otherwise credited to the Participant under the SIP. A Participant shall become vested in any Company Discretionary Credits pursuant to the vesting schedule established by the Company at the time such Credits, if any, are made. Except as otherwise provided in Section 6.1(b) (death) or Section 6.1(c) (disability), if a Participant incurs a Separation from Service at any time prior to becoming fully vested in amounts credited to the Participant's Accounts hereunder, the nonvested amounts credited to the Participant's Accounts shall be immediately forfeited and the Participant shall have no right or interest in such nonvested deferred amounts.
- (b) Restoration Plan Benefit. A Participant shall be vested in his Restoration Plan Benefit, if any, to the extent he is vested in his benefit under the Retirement Plan as determined pursuant to the provisions of the Retirement Plan.

Section 5.5 Account Statements.

Within 60 days following the end of each Plan Year (or at such more frequent times determined by the Committee), the Committee shall furnish each Participant with a statement of Account which shall set forth the balances of the individual's Accounts as of the end of such Plan Year (or as of such time determined by the Committee), inclusive of tracked earnings (or losses) and any Dividend Reinvestment Return. In addition, the Committee shall maintain records reflecting each year's deferrals separately by type of compensation.

**ARTICLE VI**  
**Distributions and Withdrawals**

Section 6.1 Timing of Distributions.

- (a) Timing of Distribution - Distributions of Vested Accounts Other than Death, Disability, or Scheduled Distributions. The time and form of payment of Restoration Plan Benefits that are not otherwise deferred under Section 3.6 of the Plan are governed by the provisions of Article IV and those provisions of this Article VI specifically referring to Restoration Plan Benefit payment options. Except as otherwise provided herein, in the case of a Participant who incurs a Separation from Service before retirement from active employment (as defined below), a Participant's vested Accounts shall be paid or commence to be paid, in the form of distribution elected in a particular Deferral Election (subject to Section 6.2), as soon as practicable (as determined by the Committee) after the Participant's Separation from Service. In the case of a Participant who retires from active employment hereunder (as defined below), and subject to Section 6.1(e) and Section 6.1(f), a Participant's vested Accounts shall be paid or commence to be paid, in the form of distribution elected in a particular Deferral Election (subject to Section 6.2), as soon as practicable (as determined by the Committee) following the later of: (I) the date the Participant retires from active employment (or, in the case of certain Equity-Based Compensation that vests one year after retirement, one year after retirement), or (II) the date otherwise specified in the Participant's Deferral Election; provided however that, in all events distributions under this subparagraph (II) of deferred amounts in excess of the Participant's Grandfathered
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Restoration Plan Benefits must be made (or commence to be paid) as of the earlier of the Participant's attainment of age 70 or death. For purposes of this Section 6.1(a), a Participant "retires from active employment" if:

- (i) the Participant Separates from Service or an affiliate after having attained age 65;
- (ii) the Participant Separates from Service after having attained age 55 with ten years of service (as determined under the Retirement Plan) or an affiliate; or
- (iii) with respect to Grandfathered Deferred Compensation Plan Deferrals and Grandfathered Restoration Plan Benefits, the Committee, in its sole discretion, otherwise determines that the Participant has retired for this purpose.

The foregoing notwithstanding, in any case where the Participant is a Specified Employee, payment of amounts in the Participant's vested Accounts in excess of Grandfathered Deferred Compensation Plan Deferrals under this Section 6.1(a) on account of the Specified Employee's Separation from Service shall be deferred until the earlier of (x) first day of the seventh month following the Participant's Separation from Service (without regard to whether the Participant is reemployed on that date), or (y) the date of the Participant's death, subject to any additional deferral of such payments as provided for in the Plan.

(b) Timing of Distributions - Participant's Death.

If a Participant dies before the full distribution of the Participant's Accounts under this Article VI, any deferred amounts that are not vested and have not previously been forfeited shall become 100% vested. Unless the Participant had commenced receiving installment payments, as soon as practicable after the Participant's death, all remaining amounts credited to the Participant's Accounts shall be paid in a single lump sum payment to the Participant's named Beneficiary (or Beneficiaries). In the absence of any Beneficiary designation, payment shall be made to the personal representative, executor or administrator of the Participant's estate. Beneficiary designations may be changed by a Participant at any time without the consent of the Participant's Spouse or any prior Beneficiary. If the Participant dies after having commenced to receive installment payments, the Participant's Beneficiary may accelerate the payment of any remaining installment payments attributable to Grandfathered Deferred Compensation Plan Deferrals or a Grandfathered Restoration Plan Benefit as follows:

- (i) The Beneficiary may request (within a reasonable time after the Participant's death, as specified by the Committee) that all remaining installment payments that are otherwise to be paid to the Beneficiary at least twelve (12) months after the date of the request be accelerated and paid in a single lump sum payment as of a date specified by the Committee that is at least twelve (12) months after the date of the request; or
- (ii) The Beneficiary may request (within a reasonable time after the Participant's death, as specified by the Committee) that all remaining installment payments that are otherwise to be paid to the Beneficiary be accelerated and paid in the form of an immediate lump sum payment, subject to the requirement that ten percent (10%) of the remaining amounts be permanently forfeited.

With respect to amounts in excess of amounts attributable to a Participant's Grandfathered Deferred Compensation Plan Deferrals or Grandfathered Restoration Plan Benefits, if a Participant dies after having commenced to receive installment payments pursuant to a scheduled distribution election, the Participant's Beneficiary

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shall receive the remaining installment payments as said payments become due under the scheduled distribution option elected by the Participant.

(c) Timing of Distributions - Participant's Disability.

Notwithstanding anything in the Plan to the contrary, if a Participant becomes Disabled, any deferred amounts that are not vested and have not previously been forfeited shall become 100% vested. Notwithstanding anything in a Participant's Deferral Election to the contrary with respect to payment commencement, as soon as practicable after the Participant becomes Disabled, all remaining amounts credited to the Participant's Accounts (other than amounts attributable to Restoration Plan Benefits) shall be paid or commence to be paid to the Participant in the form of distribution elected by the Participant in the Participant's Deferral Election. In addition, as soon as practicable after the Participant becomes Disabled and with respect to Grandfathered Deferred Compensation Plan Deferrals or deferred Grandfathered Restoration Plan Benefits, the Participant may request that the Committee change any installment distribution election so that amounts subject to the election are accelerated and paid in the form of a single lump sum distribution. Such distribution shall be made only if the Committee, taking into account the type of factors taken into account in the event of a hardship under Section 6.1(f), in its sole discretion, approves such request.

(d) Scheduled Distribution. As a part of the Participant's Deferral Election with respect to scheduled distributions, a Participant may elect to receive a lump sum distribution or annual installments (over 2, 3, 4 or 5 years, as elected by the Participant) equal to all or any part of the vested balance of the Participant's Accounts to be paid (or commence to be paid) at a scheduled distribution date, subject to the timing requirements in Section 6.1(a) and the limitations of Section 3.7(b). For these purposes, the amount of each installment payment shall be determined by multiplying the value of the Participant's remaining vested Accounts subject to the scheduled distribution election by a fraction, the numerator of which is one (1) and the denominator of which is the number of calendar years remaining in the installment period. These scheduled distributions are generally available only for distributions that are scheduled to commence to be paid while a Participant is employed by the Company. If a Participant incurs a Separation from Service before commencing receipt of scheduled distributions, the timing requirements of Section 6.1(a) shall apply (which requirements provide for payment upon Separation from Service, unless the Participant has attained retirement age, in which case a later distribution date may apply). If a Participant Separates from Service while receiving scheduled installment payments, such installment payments shall continue to be paid in the same form of distribution, subject to the Participant's right to accelerate the remaining payments in accordance with Section 6.1(e) or Section 6.1(f). Notwithstanding the foregoing, if a Participant's employment is terminated for cause, as determined by the Company, full payment of all remaining amounts attributable to Grandfathered Deferred Compensation Plan Deferrals and deferred Grandfathered Restoration Plan Benefits in such Participant's Account shall be paid in the form of a single lump sum payment as soon as practicable after such termination.

(e) Early Distribution - Grandfathered Deferrals. Notwithstanding any other provision of the Plan, a Participant or Beneficiary may, at any time prior to or subsequent to commencement of payments, request in writing to the Committee to have any or all

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vested amounts in his or her Accounts that constitute Grandfathered Deferred Compensation Plan Deferrals or deferred Grandfathered Restoration Plan Benefits paid in an immediate lump sum distribution, provided that an amount equal to ten percent (10%) of the requested distribution shall be permanently forfeited from the Participant's Accounts prior to such distribution. Any such lump sum distribution shall be paid as soon as practicable after the Committee's receipt of the Participant's (or Beneficiary's) request. The minimum permitted early distribution under this Section 6.1(e) shall be \$3,000.

- (f) Hardship Distribution. At any time prior to the time an amount is otherwise payable hereunder, an active Participant may request a distribution of all or a portion of any vested amounts credited to the Participant's Accounts on account of the Participant's financial hardship, subject to the following requirements:
- (i) Such distribution shall be made, in the sole discretion of the Committee, if the Participant has incurred an unforeseeable emergency. The Committee shall consider any requests for payment under this Section 6.1(f) in accordance with the standards of interpretation described in Code Section 409A and the regulations and other guidance thereunder.
  - (ii) For purposes of this Plan, an "unforeseeable emergency" shall be limited to a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's Spouse, the Participant's Beneficiary, or of a Participant's dependent (as defined in Code Section 152, without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B)); loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, not as a result of a natural disaster); the need to pay for the funeral expenses of the Participant's Spouse, the Participant's Beneficiary, or the Participant's dependent (as defined in Code Section 152, without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B)); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. Whether a Participant is faced with an unforeseeable emergency will be determined based on the relevant facts and circumstances of each case and be based on the information supplied by the Participant, in writing, pursuant to the procedure prescribed by the Committee. In addition to the foregoing, distributions under this subsection shall not be allowed for purposes of sending a child to college or the Participant's desire to purchase a home or other residence. In all events, distributions made on account of an unforeseeable emergency are limited to the extent reasonably needed to satisfy the emergency need (which may include amounts necessary to pay any federal, state, local, or foreign income taxes or penalties reasonably anticipated to result from the distribution).
  - (iii) Notwithstanding the foregoing, distribution on account of an unforeseeable emergency under this subsection may not be made to the extent that such emergency is or may be relieved:
    - (A) through reimbursement or compensation by insurance or otherwise,
    - (B) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or
    - (C) by cessation of deferrals under the Plan.
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- (iv) All distributions under this subsection shall be made in cash as soon as practicable after the Committee has approved the distribution and that the requirements of this subsection have been met.
- (v) The minimum permitted hardship distribution shall be \$3,000.

Section 6.2 Form of Distribution.

- (a) General. Except as otherwise provided in this Article VI, all amounts payable from a Participant's Accounts shall be paid in one of the forms of distribution described in this Section 6.2, as elected by the Participant in a Deferral Election or as modified by the Participant in accordance with Section 6.2(e) below. Any Participant who fails to elect a form of distribution with respect to any deferral amount (or any compensation type) shall be deemed to have elected to receive such amounts in the form of a lump sum distribution in cash and, to the extent distributable amounts are credited to the Participant's Deferred Stock Account or Deferred Equity-Based Compensation Account, in shares of Common Stock (with any fractional share interest therein paid in cash to the extent of the then fair market value thereof).
  - (b) Distribution Alternatives for Restoration Plan Benefits. A Participant who is eligible to receive a Restoration Plan Benefit hereunder shall receive payment of such benefit in the Normal Form of Payment unless the Participant, subject to Section 6.2(e) below, elects an optional form of distribution as described in Section 6.2(d) below or an annuity form of benefit otherwise available under the Retirement Plan.
  - (c) Lump Sum Distribution. A Participant may elect, in accordance with such procedures established by the Committee, to have any vested deferral amounts credited to his Accounts paid in the form of a single lump sum distribution at the time otherwise required or permitted under the Plan.
  - (d) Annual Installment Distributions. A Participant may elect, in accordance with such procedures established by the Committee, to have any vested deferral amounts credited to his Accounts paid at the time otherwise required or permitted in the form of annual installments over a 5 or 10-year period commencing at the time otherwise required or permitted under the Plan and paid annually thereafter for the remainder of the installment period (subject to Section 6.1(b)). Notwithstanding the foregoing, in the case of any deferral amounts that were credited to a Participant's Accounts prior to January 1, 2017 and that are vested, the Participant may elect, in accordance with such procedures established by the Committee, to have such amounts paid at the time otherwise required or permitted in the form of annual installments over a 15-year period commencing at the time otherwise required or permitted under the Plan and paid annually thereafter for the remainder of the installment period (subject to Section 6.1(b)). For these purposes, the amount of each installment payment shall be determined by multiplying the value of the Participant's remaining vested Accounts by a fraction, the numerator of which is one (1) and the denominator of which is the number of calendar years remaining in the installment period. Notwithstanding the foregoing, if a Participant's employment is terminated for cause, as determined by the Company, full payment of all remaining amounts attributable to Grandfathered Deferred Compensation Plan Deferrals and deferred Grandfathered Restoration Plan Benefits in such Participant's Account shall be paid in the form of a single lump sum payment as soon as practicable after such termination.
  - (e) Change in Form
    - (i) Grandfathered Amounts.

The following provisions shall apply solely with respect to Grandfathered Deferred Compensation Plan Deferrals and deferred Grandfathered Restoration Plan Benefits:
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- (A) Notwithstanding the foregoing, in accordance with the written, telephonic or electronic procedures prescribed by the Committee, a Participant may elect to change the form applicable to a particular category of deferral attributable to Grandfathered Deferred Compensation Plan Deferrals or deferred Grandfathered Restoration Plan Benefits at any time, provided that such election must be made at least twelve (12) consecutive months before the date on which such distribution otherwise would have been made or commenced. Any such change that is not in effect for at least the applicable twelve-month period shall be disregarded and the last valid election shall be substituted in its place. In the absence of such a valid election, distribution shall be made in the form of a single lump sum distribution in cash and, to the extent distributable amounts are credited to the Participant's Deferred Stock Account, in shares of Common Stock (with any fractional share interest therein paid in cash to the extent of the then fair market value thereof).
  - (B) In addition, with respect to a Participant who has commenced receiving his Grandfathered Deferred Compensation Plan Deferrals or deferred Grandfathered Restoration Plan Benefit paid in installment payments, such Participant may elect, pursuant to the written, telephonic or electronic method prescribed by the Committee (or its delegate), to have all remaining installment payments attributable to such grandfathered amounts that are otherwise to be paid to the Participant at least twelve (12) months after the date of the election be accelerated and paid in a single lump sum payment as of a date specified by the Committee that is at least twelve (12) months after the date of the election.
- (ii) Non-Grandfathered Amounts.

In any case where a Participant wishes to change a form of distribution from what was previously in effect with respect to any deferred amounts credited to a Participant's Accounts in excess of a Participant's Grandfathered Deferred Compensation Plan Deferrals or Grandfathered Restoration Plan Benefit, in addition to the limitations under Section 3.7(b), the following requirements must be met:

- (A) The election will not take effect until at least twelve months after the date on which the election is made and will not be recognized with respect to payments that would otherwise have commenced during such twelve-month period;
  - (B) Except for payments made on account of a Participant's death or financial hardship under Section 6.1(f), the payment with respect to which such election is made (or the first payment, in the case of installment payments) shall be deferred for a period of not less than five years from the date such payment would otherwise have been made;
  - (C) Any election related to payments that would otherwise have commenced as of a specified time, as opposed to the Participant's Separation from Service, may not be made less than twelve months
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- prior to the date on which such payments would otherwise have commenced; and
- (D) The election will not take effect if the payment (or the first payment, in the case of installment payments) would be scheduled to commence after the later of the date the Participant reaches age 70 or the date the Participant retires from active employment under the minimum deferral period required pursuant to (B) above.

(iii) Restoration Plan Benefit (Non-deferred).

- (A) General Rule. Where, pursuant to Section 4.4(b)(iii) and this Section 6.2, a Participant wishes to waive the Normal Form of Payment with respect his Restoration Plan Benefit and elect an optional form of payment, the following requirements must be met:

- (1) The election will not take effect until at least twelve months after the date on which the election is made and will not be recognized with respect to payments that would otherwise have commenced during such twelve-month period;
- (2) Except for payments made on account of a Participant's death, the first payment with respect to which such election is made shall be delayed for a period of not less than five years from the date such payment would otherwise have been made; and
- (3) Any election related to payments that would otherwise have commenced as of a specified time, as opposed to the Participant's Separation from Service, may not be made less than twelve months prior to the date on which such payments would otherwise have commenced.

In the event of any delay in payment of a Restoration Plan Benefit in excess of a Grandfathered Restoration Plan Benefit that is determined using the cash balance formula under the Retirement Plan or that is otherwise described in Section 4.4(b)(i)(D), the Participant's Restoration Plan Benefit shall be initially calculated at Separation from Service and then increased through the payment date by the interest credit factor otherwise provided for under the Retirement Plan. In the event of any delay in payment of a Restoration Plan Benefit in excess of a Grandfathered Restoration Plan Benefit that is determined using the final average pay formula under the Retirement Plan, the Participant's Restoration Plan Benefit shall be initially calculated at Separation from Service and then that amount shall be adjusted at the payment date to take into account the Participant's then-attained age.

- (B) Annuity Election. If a Participant elects to change the form of distribution with respect to a Restoration Plan Benefit to an annuity form of payment in accordance with subparagraph (A), the Participant may select the specific annuity form of payment at any time prior to commencement of annuity payments from among the following actuarially equivalent annuity options:

- (1) With respect to the portion of the Participant's Restoration Plan Benefit that is determined using the final average pay formula under the Retirement Plan or that is otherwise described in Section 4.4(b)(i)(D): (i) a single life annuity payable for the

Participant's lifetime; (ii) a joint and survivor annuity payable for the lives of the Participant and the Participant's Spouse under which if the Spouse shall survive the Participant, benefit payments shall continue after the Participant's death for the remaining lifetime of the Spouse in an amount equal to 50%, 75% or 100% (as elected by the Participant prior to benefit commencement) of the benefits payable during the Participant's life; or (iii) a guaranteed payments annuity option payable in either 60 or 120 monthly installments for the life of the Participant under which if the Participant dies before receiving the designated number of payments, the remaining benefit payments shall continue to the Participant's Beneficiary after the Participant's death; and

- (2) With respect to the portion of the Participant's Restoration Plan Benefit that is determined using the cash balance formula under the Retirement Plan: (i) a single life annuity payable for the Participant's lifetime; (ii) a joint and survivor annuity payable for the lives of the Participant and the Participant's Spouse under which if the Spouse shall survive the Participant, benefit payments shall continue after the Participant's death for the remaining lifetime of the Spouse in an amount equal to 50% or 75% or, if the Participant is age 55 or older on the date of benefit commencement, 100% (as elected by the Participant prior to benefit commencement) of the benefits payable during the Participant's life; or (iii) if the Participant is age 55 or older on the date of benefit commencement, a guaranteed payments annuity option payable in either 60 or 120 monthly installments for the life of the Participant under which if the Participant dies before receiving the designated number of payments, the remaining benefit payments shall continue to the Participant's Beneficiary after the Participant's death.
- (c) Actuarial Factors for Determining Optional Annuity Payments. Unless provided otherwise in a Participant's Agreement, if any, if an annuity form of payment of a Restoration Plan Benefit is to be made to a Participant (or Beneficiary) whose Restoration Plan Benefit is determined in whole or in part using the cash balance formula under the Retirement Plan or that is otherwise described in Section 4.4(b)(i)(D), the annuity attributable to such portion of the Restoration Plan Benefit shall be calculated by first converting the Participant's Restoration Plan Benefit expressed as an account balance benefit into a single life annuity at benefit commencement determined using the Applicable Interest Rate and the Applicable Mortality Table (as such terms are defined in the Retirement Plan) used under the Retirement Plan for converting a cash balance account to a single life annuity. If the Participant elects an optional form of annuity other than the single life annuity, the single life annuity determined pursuant to the immediately preceding sentence (or the single life annuity calculated with respect to the portion of the Participant's Restoration Plan Benefit
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determined using the final average pay formula under the Retirement Plan) shall be converted to such other annuity form of payment using the actuarial factors under the Retirement Plan for converting a single life annuity to other annuity forms of payment.

**ARTICLE VII**  
**General Provisions**

Section 7.1 Unsecured Promise to Pay.

The Company shall make no provision for the funding of any amounts payable hereunder that (i) would cause the Plan to be a funded plan for purposes of Section 404(a)(5) of the Code, or Title I of ERISA, or (ii) would cause the Plan to be other than an “unfunded and unsecured promise to pay money or other property in the future” under Treasury Regulations § 1.83-3(e); and, except to the extent specified in the Stock Trust following a “change of control” (as defined in the Stock Trust) of the Company, the Company shall have no obligation to make any arrangement for the accumulation of funds to pay any amounts under this Plan. Subject to the restrictions of the preceding sentence and in Section 5.3, the Company, in its sole discretion, may establish one or more grantor trusts described in Treasury Regulations § 1.677(a)-1(d) to accumulate funds and/or shares of Common Stock to pay amounts under this Plan, provided that the assets of such trust(s) shall be required to be used to satisfy the claims of the Company’s general creditors in the event of the Company’s bankruptcy or insolvency.

Section 7.2 Plan Unfunded.

In the event that the Company (or one of its subsidiaries) shall decide to establish an advance accrual reserve on its books against the future expense of payments hereunder, such reserve shall not under any circumstances be deemed to be an asset of this Plan but, at all times, shall remain a part of the general assets of the Company (or such subsidiary), subject to claims of the Company’s (or such subsidiary’s) creditors. A person entitled to any amount under this Plan shall be a general unsecured creditor of the Company (or the Participant’s employer subsidiary) with respect to such amount. Furthermore, a person entitled to a payment or distribution with respect to any amounts credited to Participant Accounts shall have a claim upon the Company (or the Participant’s employer subsidiary) only to the extent of the vested balance(s) credited to such Accounts.

Section 7.3 Designation of Beneficiary.

The Participant’s Beneficiary under this Plan with respect to amounts credited to the Participant’s Accounts hereunder shall be the person designated to receive benefits on account of the Participant’s death on a form provided by the Committee.

Section 7.4 Expenses.

All commissions, fees and expenses that may be incurred in operating the Plan and any related trust(s) established in accordance with the Plan (including the Stock Trust) will be paid by the Company.

Section 7.5 Voting Common Stock.

Each Participant who has a Deferred Stock Account shall be entitled to provide directions to the Committee to cause the Committee to similarly direct the Trustee of the Stock Trust to vote, on any matter presented for a vote to the shareholders of the Company, that number of shares of Common Stock held by the Stock Trust equivalent to the number of shares of Common Stock credited to the Participant’s Deferred Stock Account. The Committee shall arrange for distribution to all such Participants in a timely manner all communications directed generally to the shareholders of the Company as to which their votes are solicited. If the Stock Trust ever holds fewer shares of Common Stock than there are shares allocated to Deferred Stock Accounts under the Plan as to which timely and proper directions have been received from

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the applicable Plan Participants, the Committee will direct the Trustee to vote all shares held in the Stock Trust in the same proportion as the total shares covered by timely and proper directions that have been directed to be voted.

Section 7.6 Non-Assignability.

Participants, their legal representatives and their Beneficiaries shall have no right to anticipate, alienate, sell, assign, transfer, pledge or encumber their interests in the Plan, nor shall such interests be subject to attachment, garnishment, levy or execution by or on behalf of creditors of the Participants or of their Beneficiaries.

Section 7.7 Mandatory Deferral.

Notwithstanding any other provision of this Plan, the Committee shall defer the distribution of any Plan benefits to a Participant if the Committee anticipates that the amount of such Plan benefits, or any portion thereof, would be nondeductible for corporate income tax purposes to the Company pursuant to Section 162(m) of the Code; provided, however, that payment of such amounts in excess of Grandfathered Deferred Compensation Plan Deferrals and Grandfathered Restoration Plan Benefit shall be paid thereafter at the earliest time permitted under Code Section 409A and the regulations and other guidance issued thereunder, including, in the case of Specified Employees, subject to the six-month delay for such amounts on account of a Specified Employee's Separation from Service.

Section 7.8 Employment/Participation Rights.

- (a) Nothing in the Plan shall interfere with or limit in any way the right of the Company to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company.
- (b) Nothing in the Plan shall be construed to be evidence of any agreement or understanding, express or implied, that the Company will continue to employ a Participant in any particular position or at any particular rate of remuneration.
- (c) No employee shall have a right to be selected as a Participant, or, having been so selected, to be continued as a Participant.
- (d) Nothing in this Plan shall affect the right of a recipient to participate in and receive benefits under and in accordance with any pension, profit-sharing, deferred compensation or other benefit plan or program of the Company.

Section 7.9 Severability.

If any particular provision of the Plan shall be found to be illegal or unenforceable for any reason, the illegality or lack of enforceability of such provision shall not affect the remaining provisions of the Plan, and the Plan shall be construed and enforced as if the illegal or unenforceable provision had not been included.

Section 7.10 No Individual Liability.

It is declared to be the express purpose and intention of the Plan that no liability whatsoever shall attach to or be incurred by the shareholders, officers, or directors of the Company (or any affiliate) or any representative appointed hereunder by the Company (or any affiliate), under or by reason of any of the terms or conditions of the Plan.

Section 7.11 Tax and Other Withholding.

The Company shall have the right to deduct from any payment made under the Plan any amount required by federal, state, local, or foreign law to be withheld with respect to such payment. The Company shall also have the right to withhold from other current salary or wages any amount required by federal, state, local, or foreign law to be withheld with respect to compensation deferred under the Plan at any time prior to payment of such deferred compensation, or if such other current salary or wages are insufficient to satisfy such withholding requirement, to require the Participant to pay the Company such amount required to be withheld to the extent such requirement cannot be satisfied through withholding on other

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current salary or wages. Additionally, should deferrals under this Plan cause there to be insufficient current salary or wages for purposes of withholding taxes or other amounts required by federal, state, local, or foreign law to be withheld from current salary or wages, the Company shall require the Participant to pay the Company such amount required to be withheld to the extent such requirement cannot be satisfied through withholding on other current salary or wages. Amounts deferred under the Plan will be taken into account for purposes of any withholding obligation under the Federal Insurance Contributions Act and Federal Unemployment Tax Act at the later of the Plan Year during which the services are performed or the Plan Year during which the rights to the amounts are no longer subject to a substantial risk of forfeiture, as required by Section 3121(v) and 3306(r) of the Code and the regulations promulgated thereunder.

Section 7.12 Applicable Law.

This Plan shall be governed by and construed in accordance with the laws of the State of New Jersey except to the extent governed by applicable federal law.

Section 7.13 Incompetency.

Any person receiving or claiming benefits under the Plan shall be conclusively presumed to be mentally competent and of age until the Committee receives written notice, in a form and manner acceptable to it, that such person is incompetent or a minor, and that a guardian, conservator, or other person legally vested with the care of his estate has been appointed. If the Committee finds that any person to whom a benefit is payable under the Plan is unable to properly care for his or her affairs, or is a minor, then any payment due (unless a prior claim therefor shall have been made by a duly appointed legal representative) may be paid to the Spouse, a child, a parent, or a brother or sister, or to any person deemed by the Committee to have incurred expense for the care of such person otherwise entitled to payment. If a guardian or conservator of the estate of any person receiving or claiming benefits under the Plan shall be appointed by a court of competent jurisdiction, payments shall be made to such guardian or conservator provided that proper proof of appointment is furnished in a form and manner suitable to the Committee. Any payment made under the provisions of this Section shall be a complete discharge of liability therefor under the Plan.

Section 7.14 Notice of Address.

Any payment made to a Participant or a designated Beneficiary at the last known post office address of the distributee on file with the Committee, shall constitute a complete acquittance and discharge of any obligations of the Company under this Plan, unless the Committee shall have received prior written notice of any change in the condition or status of the distributee. Neither the Committee, the Company nor any director, officer, or employee of the Company shall have any duty or obligation to search for or ascertain the whereabouts of a Participant or a designated Beneficiary.

## **ARTICLE VIII**

### **Administration**

Section 8.1 Committee.

Prior to a Change in Control, the Plan shall be administered by the Committee. The Committee shall have the exclusive right to interpret the Plan (including questions of construction and interpretation) and the decisions, actions and records of the Committee shall be conclusive and binding upon the Company and all persons having or claiming to have any right or interest in or under the Plan. The Committee may delegate to such officers, employees or departments of the Company, or to service-providers or other persons, such authority, duties, and responsibilities of the Committee as it, in its sole discretion, considers necessary or appropriate for the proper and efficient operation of the Plan, including, without limitation, (i)

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interpretation of the Plan, (ii) approval and payment of claims, and (iii) establishment of procedures for administration of the Plan. Notwithstanding the foregoing, after a Change in Control, the trustee of any grantor trust established for the purpose of accumulating funds to satisfy the obligations incurred by the Company under this Plan shall administer the Plan and shall have the same privileges and rights as given to the Committee prior to a Change in Control.

Section 8.2 Claims Procedure.

Any person dissatisfied with the Committee's determination of a claim for benefits (or claim for eligibility for participation) hereunder must file a written request for reconsideration with the Committee. This request must include a written explanation setting forth the specific reasons for such reconsideration. The Committee shall review its determination promptly and render a written decision with respect to the claim, setting forth the specific reasons for such denial written in a manner calculated to be understood by the claimant. Such claimant shall be given a reasonable time within which to comment, in writing, to the Committee with respect to such explanation. The Committee shall review its determination promptly and render a written decision with respect to the claim. Such decision of the Committee shall be conclusive, binding, and final upon all claimants under this Plan.

Section 8.3 Plan to Comply With Code Section 409A.

Notwithstanding any provision to the contrary in this Plan, each provision in this Plan shall be interpreted to permit the deferral of compensation in accordance with Code Section 409A and any provision that would conflict with such requirements shall not be valid or enforceable.

**ARTICLE IX**

**Amendment, Termination and Effective Date**

Section 9.1 Amendment of the Plan.

Subject to Section 9.3, the Plan may be wholly or partially amended or otherwise modified at any time by written action of the Board of Directors. Notwithstanding the foregoing, the Board of Directors hereby grants to the Committee the authority to approve and adopt amendments to the Plan, provided that such amendments will not materially increase the Company's costs related to providing benefits under the Plan or materially affect the benefits of participants in the Plan.

Section 9.2 Termination of the Plan.

Subject to the provisions of Section 9.3, the Plan may be terminated at any time by written action of the Board of Directors.

Section 9.3 No Impairment of Benefits.

Notwithstanding the provisions of Sections 9.1 and 9.2, no amendment to or termination of the Plan shall reduce the amount credited to any Participant's Accounts hereunder.

Section 9.4 Effective Date.

The Plan, as previously amended and restated, was effective as of March 22, 2004. The Plan as set forth herein is amended and restated effective as of January 1, 2017.

\* \* \*

Becton, Dickinson and Company hereby adopts this amended and restated BD Deferred Compensation and Retirement Benefit Restoration Plan, effective as of January 1, 2017.

IN WITNESS WHEREOF, this Plan has been executed this day of \_\_\_\_\_, 2016.

\_\_\_\_\_  
By Nadia Owens  
Its SVP - HR & Worldwide Total Rewards

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## ATTACHMENT A

### **Procedures of the Retirement Benefit Restoration Plan** **Committee re: Payment of Grandfathered Restoration Plan Benefits**

The following are distribution procedures and requirements established by the Compensation and Benefits Committee of the Board of Directors of the Company (the "Board Committee") with respect to the determination of the appropriate timing and form of benefit payments of Grandfathered Restoration Plan Benefits in accordance the terms of the Restoration Plan (as in effect on October 3, 2004).

Notwithstanding anything to the contrary, any Participant who is not an Employee on or after October 1, 2000 shall be entitled to Grandfathered Restoration Plan Benefits solely in the form of a single lump sum cash payment made as soon as practicable following the date on which the Participant first becomes eligible to receive or commence receiving benefits under the Retirement Plan, regardless of the time benefits are actually paid or commence to be paid under the Retirement Plan and regardless of the form of benefit payments to be made under the Retirement Plan.

With respect to Restoration Plan Participants who are Employees on or after October 1, 2000, the following provisions shall apply with respect to Grandfathered Restoration Plan Benefits:

I. **General Rule for Timing and Form of Payment:** Except as provided below, all Grandfathered Restoration Plan Benefits shall be paid in the form of a single lump sum cash payment made as soon as practicable following the date on which the Participant first becomes eligible to receive or commence receiving benefits under the Retirement Plan, regardless of the time benefits are actually paid or commence to be paid under the Retirement Plan and regardless of the form of benefit payments to be made under the Retirement Plan.

II. **Timing of Payment - Disability Retirements:** Notwithstanding Paragraph I above and except as provided below, Grandfathered Restoration Plan Benefits on account of a Participant's Disability Retirement shall be paid in the form of a single lump sum cash payment as soon as practicable following the later of (i) the date the Participant ceases accruing additional benefits on account of his disability leave under the Retirement Plan, or (ii) the date on which the Participant first becomes eligible to receive or commence receiving benefits under the Retirement Plan, regardless of the time benefits are actually paid or commence to be paid under the Retirement Plan and regardless of the form of benefit payments to be made under the Retirement Plan.

III. **Optional Forms of Payment:** In lieu of the normal form of payment under Paragraph I or Paragraph II above, a Participant may elect (on such forms and in such manner prescribed by the Becton, Dickinson and Company Retirement Benefit Restoration Plan Committee (the "Restoration Plan Committee"), including through telephonic or electronic means) to have Grandfathered Restoration Plan Benefits paid in any form of payment otherwise permitted under the Retirement Plan as the Participant may elect. A Participant's election to receive Grandfathered Restoration Plan Benefits in a form other than a lump sum shall not be effective (regardless of whether the Restoration Plan Committee otherwise approves the Participant's request) unless the request is made and received by the Restoration Plan Committee at least 6 months prior to the date Grandfathered Restoration Plan Benefits would otherwise be paid or commence to be paid under the Restoration Plan; provided, however, that such 6-month restriction shall be waived if the Participant terminates employment on account of a Disability Retirement as determined by the Retirement Plan administrator under the terms of the Retirement Plan in effect on October 3, 2004. (Eligibility for a Disability Retirement under the Retirement Plan requires a finding that

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the Participant has not attained age 65, has at least 10 years of vesting service, and becomes entitled to disability benefits under the Federal Social Security Act. The Participant should provide the Restoration Plan Committee with a copy of the written governmental notification of his eligibility for disability benefits under the Social Security Act.)

In the absence of an effective election made at least 6 months before the date Grandfathered Restoration Plan Benefits would otherwise have been paid under the Restoration Plan, the Restoration Plan Committee shall pay the Participant's Grandfathered Restoration Plan Benefit in accordance with the last effective election on file with the Restoration Plan Committee or, in the absence of such a valid election, in accordance with Paragraph I or Paragraph II. (By way of illustration, assume that, within 4 months of his termination, a 60-year old Participant had elected to have his Grandfathered Restoration Plan Benefit paid as a life annuity. In that case, the Participant's election will not be effective because the Restoration Plan would otherwise require a lump sum payment as soon as practicable after such termination and the 6-month requirement would not have been met. In the absence of a valid election, the Participant's Grandfathered Restoration Plan Benefit would be paid in a single lump sum as soon as practicable after termination of employment.)

IV. Optional Acceleration of Payment Due to Disability: If a Participant terminates employment on account of a Disability Retirement (determined under the Retirement Plan as described in Paragraph III above) and such Participant has elected a form of payment other than an immediate lump sum distribution, such Participant may request in writing to receive an accelerated lump sum distribution of his Grandfathered Restoration Plan Benefits as a result of his disability. In such case, the Restoration Plan Committee may, in its sole and absolute discretion, determine to grant or deny such request for payment. Because each request is unique, each Participant's request will be decided on a case-by-case basis. Therefore, there shall be no uniform standards for the Restoration Plan Committee to apply in determining whether to grant a request.

If the Restoration Plan Committee, in its discretion, grants a Participant's request, it shall notify the Participant in writing and it shall direct that payment of the Participant's entire Grandfathered Restoration Plan Benefit be made to the Participant in a single lump sum as soon as practicable thereafter. If the Restoration Plan Committee, in its discretion, denies such request, it shall notify the Participant in writing as soon as practicable thereafter.

The Restoration Plan Committee's decision concerning a Participant's entitlement to an accelerated payment due to a Disability Retirement shall be final and binding.

V. Calculation of Benefits: The amount of a Participant's lump sum payment shall be determined as provided under the terms of the Restoration Plan in effect on October 3, 2004. If a Participant's Grandfathered Restoration Plan Benefit is to be paid in accordance with any of the Retirement Plan's optional forms of payment, the amount of the Participant's Grandfathered Restoration Plan Benefit shall be determined by the Restoration Plan Committee (or its delegate) based on the Participant's age and the actuarial factors otherwise provided for in the Retirement Plan with respect to the optional form of payment elected.

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## **ATTACHMENT B**

### **Provisions Related to Merger with CareFusion Corporation Deferred Compensation Plan**

The CareFusion Corporation Deferred Compensation Plan (the “CFN Plan”) was merged into the Plan effective as of January 1, 2017. Notwithstanding anything in the Plan to the contrary, all amounts credited under the CFN Plan as of December 31, 2016 remain subject to, and are exclusively controlled by, all of the terms and conditions of the CFN Plan as in effect on December 31, 2016, provided, however, that the Board of Directors and the Committee may amend the applicable provisions under the CFN Plan in accordance with Article IX of the Plan.

**Terms of Awards Under  
2004 Employee and Director Equity-Based Compensation Plan (the "Plan")  
and Stock Award Plan**

Capitalized terms used herein that are not defined shall have the same meaning as set forth in the Plan and Stock Award Plan, as applicable.

**1. Stock Options**

(a) Vesting Period: Ratably over four (4) years, with twenty-five percent (25%) becoming exercisable on each of the first, second, third and fourth anniversary of the grant date, except as provided in the Plan.

(b) Term: Ten (10) years from grant date.

(c) Exercise Price: Fair market value of BD common stock on grant date.

(d) Form: Non-qualified stock options.

(e) Forfeiture: Subject to forfeiture if (a) the grantee violates any agreement of non-competition with BD, or any agreement of non-disclosure of confidential information of BD, or (b) if grantee commits acts or omissions that would have been the basis for termination for Cause during the grantee's employment.

(f) Termination of Employment: Upon death, Disability or Retirement, all unvested stock options become fully exercisable for their remaining term. Upon termination due to involuntary termination without cause, holder may exercise stock options for three months following termination, but only to the extent they were vested at the time of termination. Upon voluntary termination or termination with cause, unexercised stock options are forfeited.

**2. Stock Appreciation Rights (SARs)**

(a) Vesting Period: Ratably over four (4) years, with twenty-five percent (25%) becoming exercisable on each of the first, second, third and fourth anniversary of the grant date, except as provided in the Plan.

(b) Term: Ten (10) years from grant date.

(c) Exercise Price: Fair market value of BD common stock on grant date.

(d) Settlement: Upon exercise, the holder receives shares of BD common stock equal in value to the amount by which the market price of the BD common stock at the time of exercise exceeds the exercise price.

(e) Forfeiture: Subject to forfeiture if (a) the grantee violates any agreement of non-competition with BD, or any agreement of non-disclosure of confidential information of BD, or (b) if grantee commits acts or omissions that would have been the basis for termination for Cause during the grantee's employment.

(f) Termination of Employment: Upon death, Disability or Retirement, all unvested SARs become fully exercisable for their remaining term. Upon termination due to involuntary termination without cause, holder may exercise SARs for three months following termination, but only to the extent they were vested at the time of termination. Upon voluntary termination or termination with cause, unexercised SARs are forfeited.

**3. Performance Units**

(a) Vesting Period: Third anniversary of grant date.

(b) Settlement: Performance Units are settled in shares of BD common stock. Performance Unit awards are given a share target. A formula determines the actual number of shares that will be issued upon vesting, which is based on BD's performance against pre-established performance measures over the applicable performance period.

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- (c) Performance Period: Three consecutive fiscal years, beginning with the fiscal year in which the award is granted.
- (d) Performance Measures: Consist primarily of BD's (1) average return on invested capital and (2) relative total shareholder return compared to that of a select group of peer companies, over the performance period. Each measure is weighted 50%. Payouts may range from zero to 200% of the award's share target.
- (e) Dividend Equivalent Rights: Dividends do not accrue on Performance Unit awards.
- (f) Termination of Employment: Upon death or 409A Disability, grantee vests in a pro rata amount of the award's share target. Upon Disability (other than a 409A Disability), Retirement or involuntary termination without Cause, grantee vests in a pro rata amount of the shares that would have been distributable under the award based on the payout formula had the grantee remained employed with BD through the vesting period, with shares being distributed after the end of the applicable vesting period. Upon voluntary termination or termination with cause, unvested awards are forfeited.

#### **4. Time-Vested Units**

- (a) Vesting Period: For awards granted prior to January 1, 2015, third anniversary of grant date. For awards made on or after January 1, 2015, awards vest ratably over three (3) years, with one-third becoming exercisable on each of the first, second, and third anniversary of the grant date.
- (b) Settlement: Each Time-Vested Unit entitles the grantee to one share of BD common stock upon vesting.
- (c) Dividend Equivalent Rights: Dividends do not accrue on Time-Vested Unit awards.
- (d) Termination of Employment: Upon Retirement, death or Disability, the award vests in full. Upon involuntary termination without Cause, the grantee vests in a pro rata amount of the award. Upon voluntary termination or involuntary termination with cause, unvested awards are forfeited.

#### **5. Career Shares**

- (a) Vesting Period: First anniversary of the grantee's Retirement from BD:
- (b) Settlement: Each Career Share entitles the grantee to one share of BD common stock upon vesting:
- (c) Dividend Equivalent Rights: Awards made in November 2004 and after were issued in tandem with dividend equivalent rights.
- (d) Termination of Employment: Upon death, Disability or involuntary termination other than for Cause, Career Shares become fully vested.
- (e) Forfeiture: Subject to forfeiture in the event, at any time prior to the first anniversary of the grantee's Retirement, the grantee violates non-compete covenant with BD.

#### **6. Change in Control Provisions**

Awards made on or after January 1, 2015 automatically vest upon a Change in Control unless the awards are either continued or replaced with similar awards. In those instances where awards are continued or replaced, the awards will then automatically vest if the holder is terminated without Cause or the holder terminates employment for Good Reason within two years of the Change in Control. Awards made prior to January 1, 2015 automatically vest (with Performance Units being payable at their target amount) upon a Change in Control.

## SUBSIDIARIES OF BECTON, DICKINSON AND COMPANY

Exhibit 21 to Form 10-K

	State of Jurisdiction of Incorporation	Percentage of Voting Securities Owned
Accuri Cytometers, Inc.	Delaware	100%
Atto BioScience, Inc.	Delaware	100%
Alverix, Inc.	Delaware	100%
ARX SA	Switzerland	100% (1)
Becton Dickinson Dispensing Belgium BVBA	Belgium	100% (1)
Becton Dickinson Dispensing Spain S.L.U.	Spain	100% (1)
Becton Dickinson Dispensing UK Ltd.	United Kingdom	100% (1)
Becton Dickinson Dispensing France SAS	France	100% (1)
Becton Dickinson Dispensing Ireland Limited	Ireland	100% (1)
Becton Dickinson Dispensing Norge AS	Norway	100% (1)
Becton Dickinson Biosciences, Systems and Reagents Inc.	California	100%
BD Holding S. de R.L. de C.V.	Mexico	100% (1)
Becton Dickinson Matrex Holdings, Inc.	Delaware	100%
BD Norge AS	Norway	100% (1)
BD Rapid Diagnostic (Suzhou) Co., Ltd.	China	100% (1)
BDIT Singapore Pte. Ltd.	Singapore	100% (1)
BD (West Africa) Limited	Ghana	100% (1)
BDX INO LLC	Delaware	100%
Becton Dickinson AcuteCare Holdings, Inc.	Delaware	100%
Becton Dickinson Advanced Pen Injection Systems GmbH	Switzerland	100% (1)
Becton Dickinson Argentina S.R.L.	Argentina	100% (1)
Becton Dickinson Asia Limited	Hong Kong	100% (1)
Becton Dickinson Asia Pacific Limited	British Virgin Islands	100%
Becton Dickinson Austria Holdings GmbH	Austria	100% (1)
Becton Dickinson Austria GmbH	Austria	100% (1)
Becton Dickinson Benelux N.V.	Belgium	100% (1)
Becton Dickinson Canada Inc.	Canada	100% (1)
Becton Dickinson Caribe Ltd.	Cayman Islands	100% (1)
Becton Dickinson Croatia d.o.o.	Croatia	100% (1)
Becton Dickinson de Colombia Ltda.	Colombia	100% (1)
Becton Dickinson Czechia s.r.o.	Czech Republic	100% (1)
Becton Dickinson del Uruguay S.A.	Uruguay	100% (1)
Becton Dickinson Distribution Center N.V.	Belgium	100% (1)
Becton Dickinson East Africa Ltd.	Kenya	100% (1)
Becton Dickinson Guatemala S.A.	Guatemala	100% (1)

**SUBSIDIARIES OF BECTON, DICKINSON AND COMPANY**

Becton Dickinson Hellas S.A.	Greece	100% (1)
Becton Dickinson Hungary Kft.	Hungary	100% (1)
Becton Dickinson India Private Limited	India	100% (1)
Becton Dickinson Infusion Therapy AB	Sweden	100% (1)
Becton Dickinson A/S	Denmark	100% (1)
Becton Dickinson Infusion Therapy B.V.	Netherlands	100% (1)
Becton Dickinson Infusion Therapy Holdings AB	Sweden	100% (1)
Becton Dickinson Infusion Therapy Systems Inc., S.A. de C.V.	Mexico	100% (1)
Becton Dickinson Infusion Therapy UK	United Kingdom	100% (1)
Becton Dickinson Infusion Therapy Systems Inc.	Delaware	100%
Becton Dickinson Infusion Therapy Holdings UK Limited	United Kingdom	100% (1)
Becton Dickinson Insulin Syringe, Ltd.	Cayman Islands	100% (1)
Becton Dickinson Ithalat Ihracat Limited Sirketi	Turkey	100% (1)
Becton Dickinson Korea Holding, Inc.	Delaware	100%
Becton Dickinson Korea Ltd.	Korea	100% (1)
Becton Dickinson Malaysia, Inc.	Oregon	100%
Becton Dickinson (Mauritius) Limited	Mauritius	100%
Becton Dickinson Medical (S) Pte Ltd.	Singapore	100% (1)
Becton Dickinson Medical Devices (Shanghai) Co., Ltd.	P.R.C.	100% (1)
Becton Dickinson Medical Devices (Suzhou) Co., Ltd.	P.R.C.	100% (1)
Becton Dickinson Medical Products Pte. Ltd.	Singapore	100%
Becton Dickinson Ltd.	New Zealand	100% (1)
Becton Dickinson O.Y.	Finland	100% (1)
Becton Dickinson Overseas Services Ltd.	Nevada	100%
Becton Dickinson Pen Limited	Ireland	100% (1)
Becton Dickinson Penel Limited	Cayman Islands	100% (1)
Becton Dickinson Philippines, Inc.	Philippines	100% (1)
Becton Dickinson Polska Sp.z.o.o.	Poland	100% (1)
Becton Dickinson Pty. Ltd.	Australia	100% (1)
Becton Dickinson (Pty) Ltd.	South Africa	100% (1)
Becton Dickinson Sdn. Bhd.	Malaysia	100% (1)
Becton Dickinson Sample Collection GmbH	Switzerland	100% (1)
Becton Dickinson Slovakia s.r.o.	Slovakia	100% (1)
Becton Dickinson (Thailand) Limited	Thailand	100% (1)
Becton Dickinson Venezuela, C.A.	Venezuela	100% (1)
Becton Dickinson Venture LLC	Delaware	100%
BD Ventures LLC	New Jersey	100%
Becton Dickinson Vostok LLC	Russia	100% (1)
Becton Dickinson, S.A.	Spain	100% (1)
Becton, Dickinson A.G.	Switzerland	100% (1)

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**SUBSIDIARIES OF BECTON, DICKINSON AND COMPANY**

Becton, Dickinson Aktiebolag	Sweden	100% (1)
Becton, Dickinson and Company, Ltd.	Ireland	100% (1)
Becton, Dickinson B.V.	Netherlands	100% (1)
Becton, Dickinson de Mexico, S.A. de C.V.	Mexico	100% (1)
Becton Dickinson France S.A.S.	France	100% (1)
Becton Dickinson GmbH	Germany	100% (1)
Becton, Dickinson Industrias Cirurgicas, Ltda.	Brazil	100% (1)
Becton, Dickinson Italia S.p.A.	Italy	100% (1)
B-D U.K. Holdings Limited	United Kingdom	100% (1)
Becton Dickinson U.K. Limited	United Kingdom	100% (1)
Benex Ltd.	Ireland	100% (1)
BioVenture Centre Pte. Ltd.	Singapore	100%
CareFusion Corporation	Delaware	100%
CareFusion Australia 316 Pty Limited	Australia	100% (1)
CareFusion Austria 322 GmbH	Austria	100% (1)
CareFusion D.R. 203 Ltd.	Bermuda	100% (1)
CareFusion BH 335 d.o.o.	Bosnia	100% (1)
Intermed Equipamento Médico Hospitalar Ltda.	Brazil	100% (1)
STAR - Servicos de Assistencia Tecnica A Equipamento Medico Hospitalar Ltda.	Brazil	100% (1)
CareFusion Canada 307 ULC	Canada	100% (1)
Cardinal Health Trading (Shanghai) Co. Ltd.	China	100% (1)
CareFusion Asia (HK) Limited	Hong Kong	100% (1)
CareFusion (Shanghai) Commercial and Trading Co. Limited	China	100% (1)
CareFusion Hong Kong Limited	Hong Kong	100% (1)
Shenzhen Vital Signs - KTL Medical Instrument Co., Ltd.	China	100% (1)
Vital Signs Hong Kong Limited	Hong Kong	100% (1)
CareFusion Denmark 329 A/S	Denmark	100% (1)
CareFusion 323 DMCC	Dubai	100% (1)
CareFusion Finland 320 Oy	Finland	100% (1)
CareFusion France 309 S.A.S.	France	100% (1)
CareFusion Germany 234 GmbH	Germany	100% (1)
CareFusion Germany 277 GmbH	Germany	100% (1)
CareFusion Germany 318 GmbH	Germany	100% (1)
Becton Dickinson Rowa Germany GmbH	Germany	100% (1)
CareFusion Germany 506 GmbH	Germany	100% (1)
Cardinal Health India Private Limited	India	100% (1)
Care Fusion Development Private Limited	India	100% (1)
CareFusion Israel 330 Ltd.	Israel	100% (1)
Becton Dickinson Rowa Italy Srl	Italy	100% (1)

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**SUBSIDIARIES OF BECTON, DICKINSON AND COMPANY**

CareFusion Italy 311 S.r.l.	Italy	100% (1)
CareFusion Italy 312 S.p.A.	Italy	100% (1)
CareFusion Italy 327 S.r.l.	Italy	100% (1)
CareFusion Japan 324 GK	Japan	100% (1)
CareFusion Korea 334 Limited	Korea	100% (1)
CareFusion Malaysia 325 Sdn Bhd	Malaysia	100% (1)
CareFusion Mexico 215 SA de CV	Mexico	100% (1)
Enturia de México S. de R.L. de C.V.	Mexico	100% (1)
Productos Urologos de México SA de C.V.	Mexico	100% (1)
Sistemas Médicos ALARIS, S.A. de C.V.	Mexico	100% (1)
CareFusion Netherlands 238 B.V.	Netherlands	100% (1)
CareFusion Netherlands 310 B.V.	Netherlands	100% (1)
CareFusion Netherlands 328 B.V.	Netherlands	100% (1)
CareFusion Netherlands 503 B.V.	Netherlands	100% (1)
CareFusion Netherlands 504 B.V.	Netherlands	100% (1)
CareFusion Netherlands Financing 283 C.V.	Netherlands	100% (1)
Dutch American Manufacturers (D.A.M.) B.V.	Netherlands	100% (1)
CareFusion New Zealand 313 Limited	New Zealand	100% (1)
CareFusion Norway 315 A/S	Norway	100% (1)
CareFusion Portugal 332 - Produtos Médicos, LDA	Portugal	100% (1)
CareFusion RUS 333 Limited Liability Company	Russia	100% (1)
CareFusion Singapore 243 Pte. Ltd.	Singapore	100% (1)
CareFusion S.A. 319 (Proprietary) Limited	South Africa	100% (1)
CareFusion Iberia 308 S.L.	Spain	100% (1)
Sendal, S.L.U.	Spain	100% (1)
CareFusion Sweden 314 AB	Sweden	100% (1)
BD Switzerland Sarl	Switzerland	100% (1)
CareFusion Turkey Tibbi Cihazlar Ticaret Anonim Sirketi	Turkey	100% (1)
CareFusion U.K. 232 Limited	United Kingdom	100% (1)
CareFusion U.K. 235 Limited	United Kingdom	100% (1)
CareFusion U.K. 236 Limited	United Kingdom	100% (1)
CareFusion U.K. 244 Limited	United Kingdom	100% (1)
CareFusion U.K. 305 Limited	United Kingdom	100% (1)
CareFusion U.K. 306 Limited	United Kingdom	100% (1)
Sendal U.K.	United Kingdom	100% (1)
U.K. Medical, Ltd.	United Kingdom	100% (1)
U.K. Medical Holdings Ltd.	United Kingdom	100% (1)
Bird Products Corporation	California	100% (1)
Medegen, LLC	California	100% (1)
SensorMedics Corporation	California	100% (1)

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**SUBSIDIARIES OF BECTON, DICKINSON AND COMPANY**

Cardal II, LLC	Delaware	100% (1)
CareFusion 202, Inc.	Delaware	100% (1)
CareFusion 203, Inc.	Delaware	100% (1)
CareFusion 206, Inc.	Delaware	100% (1)
CareFusion 207, Inc.	Delaware	100% (1)
CareFusion 211, Inc.	Delaware	100% (1)
CareFusion 213, LLC	Delaware	100% (1)
CareFusion 2200, Inc.	Delaware	100% (1)
CareFusion 2201, Inc.	Delaware	100% (1)
CareFusion 302, LLC	Delaware	100% (1)
CareFusion 303, Inc.	Delaware	100% (1)
CareFusion 304, LLC	Delaware	100% (1)
CareFusion Manufacturing, LLC	Delaware	100% (1)
CareFusion Resources, LLC	Delaware	100% (1)
CareFusion Solutions, LLC	Delaware	100% (1)
EME Medical, Inc.	Delaware	100% (1)
IVAC Overseas Holding L.P.	Delaware	100% (1)
VIASYS Holdings Inc.	Delaware	100% (1)
Vital Signs, Inc.	Delaware	100% (1)
CareFusion 205, Inc.	Illinois	100% (1)
Enturican, Inc.	Kansas	100% (1)
Vital Signs Sales Corporation	New Jersey	100% (1)
Surgical Site Solutions, Inc.	Wisconsin	100% (1)
Cell Analysis Systems, Inc.	Illinois	100% (1)
Corporativo BD de Mexico, S. de R.L. de C.V.	Mexico	100% (1)
Cytopeia	Washington	100%
D.L.D., Ltd.	Bermuda	100% (1)
Dantor S.A.	Uruguay	100% (1)
Difco Laboratories Incorporated	Michigan	100%
Distribuidora BD Mexico, S.A. de C.V.	Mexico	100% (1)
Procesos para Esterilizacion, S.A. de C.V.	Mexico	100% (1)
Franklin Lakes Enterprises, L.L.C.	New Jersey	100%
GenCell USA, LLC	Wisconsin	100%
GenCell DX Limited	Ireland	100%
GenCell Biosystems Ltd.	Ireland	100%
GeneOhm Sciences Canada Inc.	Canada	100% (1)
Healthcare Holdings in Sweden AB	Sweden	100% (1)
HandyLab, Inc.	Delaware	100%
IBD Holdings LLC	Delaware	50%(1)
Staged Diabetes Management LLC	New Jersey	50% (1)

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**SUBSIDIARIES OF BECTON, DICKINSON AND COMPANY**

Matrex Salud, de R.L. de C.V.	Mexico	50% (1)
Med-Safe Systems, Inc.	California	100%
Nippon Becton Dickinson Company, Ltd.	Japan	100% (1)
PharMingen	California	100%
Phase Medical, Inc.	California	100% (1)
PreAnalytiX GmbH	Switzerland	50% (1)
Abastecedora de Dispositivos Medicos JL S.A. de C.V.	Mexico	100% (1)
TriPath Imaging, Inc.	Delaware	100%
Becton Dickinson Europe Holdings S.A.S.	France	100% (1)
Becton Dickinson Management GmbH & Co. KG	Germany	100% (1)
Becton Dickinson Verwaltungs GmbH	Germany	100% (1)
Becton Dickinson Ireland Holding Limited	Ireland	100% (1)
Becton Dickinson Luxembourg S.a.r.L.	Luxembourg	100% (1)
Becton Dickinson Holdings Pte Ltd.	Singapore	100% (1)
Becton Dickinson Luxembourg LLC	Delaware	100% (1)
Becton Dickinson Luxembourg II LLC	Delaware	100%
Becton Dickinson Luxembourg II S.C.S.	Luxembourg	95%/5% (1)
Becton Dickinson Luxembourg III LLC	Luxembourg	100% (1)
Becton Dickinson Luxembourg III LLC S.C.S.	Luxembourg	100% (1)
Becton Dickinson Luxembourg Holdings S.a.r.L	Luxembourg	100% (1)
Becton Dickinson Luxembourg Holdings II S.a.r.L	Luxembourg	100% (1)
Becton Dickinson Sweden Holdings AB	Sweden	100% (1)
Carmel Pharma AB	Sweden	100% (1)
Carmel Pharma GmbH	Germany	100% (1)
Becton Dickinson (Gibraltar) Management Limited	Gibraltar	100% (1)
Becton Dickinson Asia Holdings Ltd.	Gibraltar	100% (1)
Becton Dickinson Luxembourg LLC S.C.S.	Luxembourg	100% (1)
Becton Dickinson Worldwide Investments Sa.r.L.	Luxembourg	100% (1)
Becton Dickinson (Gibraltar) Holdings Ltd.	Gibraltar	100% (1)
Becton Dickinson Management S.a.r.L	Luxembourg	100% (1)
Becton Dickinson Bermuda L.P.	Bermuda	100% (1)
Becton Dickinson Luxembourg Finance S.a.r.L.	Luxembourg	100% (1)
Becton Dickinson (Gibraltar) Limited	Gibraltar	100% (1)
Becton Dickinson Netherlands Holdings B.V.	Netherlands	100% (1)
Becton Dickinson Netherlands Holdings II B.V.	Netherlands	100% (1)
Sirigen, Inc.	California	100%
Sirigen Limited	United Kingdom	100% (1)
Sirigen Group Limited	United Kingdom	100% (1)
Sirigen II Limited	United Kingdom	100% (1)
Safety Syringes, Inc.	California	100%

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**SUBSIDIARIES OF BECTON, DICKINSON AND COMPANY**

BD Kiestra BV	Netherlands	100% (1)
Kiestra Lab Automation U.K. Ltd	United Kingdom	100%(1)
Chemocato LLC	Delaware	100% (1)
Cato Software Solutions Polska sp.z.o.o.	Poland	100% (1)
Becton Dickinson GSA Beteiligungs GmbH	Germany	100% (1)
Becton Dickinson Zambia	Zambia	100% (1)
PT Becton Dickinson Indonesia	Indonesia	100% (1)
Alverix (M) Sdn. Bhd.	Malaysia	100% (1)
CRISI Medical Systems, Inc.	Delaware	100%
Cellular Research, Inc.	Delaware	100%

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

As of 9/30/2016

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statements on Form S-8 Nos. 33-23055, 33-33791, 33-64115, 333-11885, 333-16091, 333-118235, 333-147594, 333-161129, 333-161215, 333-170821 and 333-199830 of Becton, Dickinson and Company;
- (2) Registration Statements on Form S-3 Nos. 333-23559, 333-38193, 333-104019, 333-134143, 333-159102, 333-183059, 333-206020, 333-195887 and 333-195921 of Becton, Dickinson and Company; and
- (3) Registration Statement on Form S-4 No. 333-203013 of Becton, Dickinson and Company;

of our reports dated November 23, 2016, with respect to the consolidated financial statements of Becton, Dickinson and Company and the effectiveness of internal control over financial reporting of Becton, Dickinson and Company included in this Annual Report (Form 10-K) of Becton, Dickinson and Company for the year ended September 30, 2016.

/s/ ERNST & YOUNG LLP

New York, New York  
November 23, 2016

## POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned, being a director of Becton, Dickinson and Company, a New Jersey corporation (the "Company"), hereby constitutes and appoints Vincent A. Forlenza, Christopher R. Reidy, Jeffrey S. Sherman and Gary DeFazio, and each of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign the Company's Annual Report on Form 10-K for the Company's fiscal year ended September 30, 2016, and any amendments thereto, each in such form as they or any one of them may approve, and to file the same with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done so that such Annual Report shall comply with the Securities Exchange Act of 1934, as amended, and the applicable Rules and Regulations adopted or issued pursuant thereto, as fully and to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their substitute or resubstitute, may lawfully do or cause to be done by virtue hereof.

This Power of Attorney shall not revoke any powers of attorney previously executed by the undersigned. This Power of Attorney shall not be revoked by any subsequent power of attorney that the undersigned may execute, unless such subsequent power of attorney specifically provides that it revokes this Power of Attorney by referring to the date of the undersigned's execution of this Power of Attorney. For the avoidance of doubt, whenever two or more powers of attorney granting the powers specified herein are valid, the agents appointed on each shall act separately unless otherwise specified.

IN WITNESS WHEREOF, each of the undersigned has hereunto set his or her hand on this 23rd day of November, 2016.

/s/ Basil L. Anderson

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Basil L. Anderson

/s/ Gary A. Mecklenburg

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Gary A. Mecklenburg

/s/ Catherine M. Burzik

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Catherine M. Burzik

/s/ James F. Orr

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James F. Orr

/s/ R. Andrew Eckert

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R. Andrew Eckert

/s/ Willard J. Overlock, Jr.

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Willard J. Overlock, Jr.

/s/ Vincent A. Forlenza

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Vincent A. Forlenza

/s/ Claire Pomeroy

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Claire Pomeroy

/s/ Claire M. Fraser

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Claire M. Fraser

/s/ Rebecca W. Rimel

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Rebecca W. Rimel

/s/ Christopher Jones

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Christopher Jones

/s/ Bertram L. Scott

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Bertram L. Scott

/s/ Marshall O. Larsen

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Marshall O. Larsen

## CERTIFICATION

I, Vincent A. Forlenza, certify that:

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

Date: November 23, 2016

/s/ Vincent A. Forlenza

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Vincent A. Forlenza

Chairman, Chief Executive Officer and President

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## CERTIFICATION

I, Christopher R. Reidy, certify that:

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

Date: November 23, 2016

/s/ Christopher R. Reidy

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Christopher R. Reidy

Executive Vice President, Chief Financial Officer and Chief Administrative Officer

**CERTIFICATION**

The certification set forth below is being submitted in connection with the Annual Report on Form 10-K of Becton, Dickinson and Company for the fiscal year ended September 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report") for the purpose of complying with Rule 13a-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Vincent A. Forlenza, the Chief Executive Officer of Becton, Dickinson and Company, certify that:

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

Date: November 23, 2016

/s/ Vincent A. Forlenza

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Vincent A. Forlenza

Chief Executive Officer

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### CERTIFICATION

The certification set forth below is being submitted in connection with the Annual Report on Form 10-K of Becton, Dickinson and Company for the fiscal year ended September 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report") for the purpose of complying with Rule 13a-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

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

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

Date: November 23, 2016

/s/ Christopher R. Reidy

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Christopher R. Reidy

Chief Financial Officer