UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2017

OR

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

For the transition period from_____ to _____

Commission file number 001-4802

Becton, Dickinson and Company

(Exact name of registrant as specified in its charter)

New Jersey	**22-0760120**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

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

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

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 ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

There were 213,305,385 share of Common Stock, $1.00 par value, outstanding at March 31, 2017.

BECTON, DICKINSON AND COMPANY
FORM 10-Q
For the quarterly period ended March 31, 2017

TABLE OF CONTENTS

ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2017	September 30, 2016
	(Unaudited)	
Assets		
Current Assets:		
Cash and equivalents	$ 548	$ 1,541
Short-term investments	8	27
Trade receivables, net	1,569	1,618
Current portion of net investment in sales-type leases	355	339
Inventories:		
Materials	305	316
Work in process	292	274
Finished products	1,150	1,129
	1,747	1,719
Assets held for sale	—	642
Prepaid expenses and other	664	480
Total Current Assets	4,891	6,367
Property, Plant and Equipment	8,351	8,419
Less allowances for depreciation and amortization	4,411	4,518
Property, Plant and Equipment, Net	3,941	3,901
Goodwill	7,405	7,419
Customer Relationships, Net	2,923	3,022
Developed Technology, Net	2,539	2,655
Other Intangibles, Net	579	604
Capitalized Software, Net	77	70
Net Investment in Sales-Type Leases, Less Current Portion	817	796
Other Assets	948	753
Total Assets	$ 24,121	$ 25,586
Liabilities and Shareholders' Equity		
Current Liabilities:		
Short-term debt	$ 1,224	$ 1,001
Payables and accrued expenses	2,794	3,210
Liabilities held for sale	—	189
Total Current Liabilities	4,018	4,400
Long-Term Debt	9,082	10,550
Long-Term Employee Benefit Obligations	1,356	1,319
Deferred Income Taxes and Other	1,702	1,684
Commitments and Contingencies (See Note 5)		
Shareholders' Equity		
Common stock	333	333
Capital in excess of par value	4,742	4,693
Retained earnings	13,321	12,727
Deferred compensation	22	22
Common stock in treasury - at cost	(8,445)	(8,212)
Accumulated other comprehensive loss	(2,009)	(1,929)
Total Shareholders' Equity	7,963	7,633
Total Liabilities and Shareholders' Equity	$ 24,121	$ 25,586

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

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2017	2016	2017	2016
Revenues	$ 2,969	$ 3,067	$ 5,892	$ 6,054
Cost of products sold	1,537	1,584	3,007	3,162
Selling and administrative expense	724	732	1,432	1,480
Research and development expense	187	182	368	369
Acquisitions and other restructurings	76	104	163	225
Other operating income (See Note 5)	—	—	(336)	—
Total Operating Costs and Expenses	2,523	2,601	4,634	5,236
Operating Income	446	466	1,257	818
Interest expense	(86)	(99)	(181)	(196)
Interest income	7	3	12	9
Other (expense) income, net	(5)	6	(35)	11
Income Before Income Taxes	362	376	1,054	642
Income tax provision	18	38	148	75
Net Income	344	338	905	567
Basic Earnings per Share	$ 1.61	$ 1.59	$ 4.24	$ 2.67
Diluted Earnings per Share	$ 1.58	$ 1.56	$ 4.15	$ 2.62
Dividends per Common Share	$ 0.73	$ 0.66	$ 1.46	$ 1.32

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

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2017	2016	2017	2016
Net Income	$ 344	$ 338	$ 905	$ 567
Other Comprehensive Income (Loss), Net of Tax				
Foreign currency translation adjustments	136	179	(139)	63
Defined benefit pension and postretirement plans	15	12	29	24
Cash flow hedges	2	1	30	4
Other Comprehensive Gain (Loss), Net of Tax	153	193	(80)	91
Comprehensive Income	$ 497	$ 531	$ 826	$ 658

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

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

	Six Months Ended March 31,	
	2017	2016
Operating Activities		
Net income	$ 905	$ 567
Adjustments to net income to derive net cash provided by operating activities:		
Depreciation and amortization	523	569
Share-based compensation	99	119
Deferred income taxes	(43)	(112)
Change in operating assets and liabilities	(474)	(194)
Pension obligation	55	40
Excess tax benefits from payments under share-based compensation plans	48	—
Other, net	(74)	30
Net Cash Provided by Operating Activities	1,040	1,020
Investing Activities		
Capital expenditures	(272)	(258)
Proceeds from sale of investments, net	26	10
Acquisitions of businesses, net of cash acquired	(40)	—
Proceeds from divestitures, net	165	111
Other, net	(34)	(33)
Net Cash Used for Investing Activities	(155)	(170)
Financing Activities		
Change in short-term debt	(50)	(300)
Proceeds from long-term debt	1,054	—
Payments of debt	(2,189)	(1)
Repurchase of common stock	(220)	—
Excess tax benefits from payments under share-based compensation plans	—	51
Dividends paid	(312)	(280)
Other, net	(144)	(45)
Net Cash Used for Financing Activities	(1,861)	(576)
Effect of exchange rate changes on cash and equivalents	(17)	(2)
Net (decrease) increase in cash and equivalents	(993)	272
Opening Cash and Equivalents	1,541	1,424
Closing Cash and Equivalents	$ 548	$ 1,696

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

Note 1 – Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, in the opinion of the management of the Company, include all adjustments which are of a normal recurring nature, necessary for a fair presentation of the financial position and the results of operations and cash flows for the periods presented. However, the financial statements do not include all information and accompanying notes required for a presentation in accordance with U.S. generally accepted accounting principles. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's 2016 Annual Report on Form 10-K. Within the financial statements and tables presented, certain columns and rows may not add due to the use of rounded numbers for disclosure purposes. Percentages and earnings per share amounts presented are calculated from the underlying amounts. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year.

Note 2 – Accounting Changes

New Accounting Principles Adopted

On October 1, 2016, the Company prospectively adopted amended requirements issued by the Financial Accounting Standards Board ("FASB") relating to the timing of recognition and classification of share-based compensation award-related income tax effects. Upon the settlement of awards in the first and second quarters of fiscal year 2017, the Company recorded tax benefits for the three and six months ended March 31, 2017 of $21 million and $48 million, respectively, to *Income tax provision* within its consolidated statement of income. The Company expects to record additional tax benefits through the remainder of fiscal year 2017. These tax benefits were recorded within *Capital in excess of par value* on the Company's condensed consolidated balance sheet in the prior-year period. Because these excess tax benefits are no longer recorded in *Capital in excess of par value,* the current-period adjustments for the dilutive impact of share equivalents from share-based plans, which is used in the Company's computation of diluted earnings per share, increased by approximately 1 million shares. Also per the amended guidance, the Company classified the $48 million of excess tax benefits for the six months ended March 31, 2017 on its condensed consolidated statement of cash flows within *Net Cash Provided by Operating Activities*, rather than *Net Cash Used for Financing Activities,* which included the excess tax benefits for the six months ended March 31, 2016. The amended guidance allows 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 future forfeitures.

New Accounting Principles Not Yet Adopted

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 intends to adopt the standard, as required, on October 1, 2018 and is currently in the process of completing the initial assessment of the impact that this new revenue recognition standard will have on its consolidated financial statements. As part of the initial assessment, the Company is reviewing a representative sample of its contracts across its various businesses and geographies to identify potential differences that could result from applying the requirements of the new standard. The analysis includes identifying whether there may be differences in timing of revenue recognition under the new standard as well as assessing performance obligations, variable consideration, and contract costs. The Company has not yet estimated the impact, if any, of the new standard on the timing and pattern of its revenue recognition. The Company continues to evaluate the available adoption methods, and apprises both management and its audit committee of the project status regularly.

Note 3 – Accumulated Other Comprehensive Income (Loss)

The components and changes of *Accumulated other comprehensive income (loss)* for the six-month period ended March 31, 2017 were as follows:

(Millions of dollars)	Total	Foreign Currency Translation	Benefit Plans	Cash Flow Hedges
Balance at September 30, 2016	$ (1,929)	$ (1,011)	$ (883)	$ (35)
Other comprehensive (loss) income before reclassifications, net of taxes	(114)	(139)	—	25
Amounts reclassified into income, net of taxes	34	—	29	5
Balance at March 31, 2017	$ (2,009)	$ (1,151)	$ (853)	$ (5)

The amount of foreign currency translation recognized in other comprehensive income during the six months ended March 31, 2017 included a loss relating to net investment hedges, as further discussed in Note 12. The amount recognized in other comprehensive income during the six months ended March 31, 2017 relating to cash flow hedges represented gains on forward starting interest rate swaps entered into in fiscal year 2016, which are also further discussed in Note 12. The tax provision relating to these gains was $1 million and $16 million for the three and six months ended March 31, 2017, respectively.

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

	Three Months Ended March 31,		Six Months Ended March 31,	
(Millions of dollars)	2017	2016	2017	2016
Benefit Plans				
Reclassification of losses into income	$ 22	$ 19	$ 44	$ 37
Associated tax benefits	(7)	(6)	(14)	(13)
Amounts reclassified into income, net of taxes (A)	$ 15	$ 12	$ 29	$ 24
Cash Flow Hedges				
Reclassification of losses into income	$ 2	$ 5	$ 8	$ 9
Associated tax benefits	(1)	(2)	(3)	(3)
Amounts reclassified into income, net of taxes (B)	$ 1	$ 3	$ 5	$ 6

(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 12.

Note 4 – Earnings per Share

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2017	2016	2017	2016
Average common shares outstanding	213,583	212,469	213,321	212,077
Dilutive share equivalents from share-based plans (A)	4,283	4,069	4,665	4,618
Average common and common equivalent shares outstanding – assuming dilution	217,866	216,538	217,986	216,695

(A) The prior-period adjustments to calculate diluted share equivalents from share-based plans included excess tax benefits relating to share-based compensation awards. Upon the Company's adoption, as discussed in Note 2, of new accounting requirements relating to share-based compensation award-related income tax effects, the adjustments in the current-year periods excluded these excess tax benefits.

Using proceeds received from the divestiture of the Respiratory Solutions business in the first quarter of fiscal year 2017, the Company repurchased approximately1.3 million shares of its common stock under an accelerated share repurchase agreement. The repurchased shares were recorded as a $220 million increase to *Common stock in treasury.*

Note 5 – 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 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 would 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 recover $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 thereafter appealed to the Court of Appeals challenging the entirety of the Final Judgment. On December 2, 2016, the Court of Appeals issued an opinion reversing the judgment as to RTI's attempted monopolization claim and rendered judgment on that claim in favor of BD. As a result, the Company reversed $336 million of reserves associated with this judgment. The Court of Appeals affirmed the judgment for Lanham Act liability, and remanded the case to the district court to consider whether and if so how much profit should be disgorged by BD on that claim. The Court of Appeals vacated and remanded the injunction ordered by the Court. On January 31, 2017, RTI filed a petition for a writ of certiorari with the U.S. Supreme Court. On March 20, 2017, the U.S. Supreme Court denied certiorari, and the matter will now return to the district court for a ruling on RTI's request for disgorgement.

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 appealed that decision to the Eleventh Circuit Court of Appeals. The plaintiffs thereafter voluntarily dismissed their appeal, and the Court of Appeals dismissed the case on November 21, 2016.

The Company is also involved both as a plaintiff and a defendant in other legal proceedings and claims that arise in the ordinary course of business. The Company believes that it has meritorious defenses to the suits pending against the Company and is engaged in a vigorous defense of each of these matters.

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 or part of 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"). These segments are strategic businesses that are managed separately because each one develops, manufactures and markets distinct products and services. 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. As more fully discussed in Note 9, the Company sold a 50.1% controlling financial interest in its Respiratory Solutions business, a component of the Medical segment, in October 2016. This transaction did not meet the criteria established for reporting discontinued operations and as such, results for the three and six months ended March 31, 2016 included $213 million and $421 million, respectively, of revenues which did not occur in the current-year periods.

Financial information for the Company's segments was as follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
(Millions of dollars)	**2017**	**2016**	**2017**	**2016**
Revenues (A)				
Medical	$ 1,987	$ 2,131	$ 3,951	$ 4,185
Life Sciences	982	936	1,940	1,869
Total Revenues	$ 2,969	$ 3,067	$ 5,892	$ 6,054
Income Before Income Taxes				
Medical	$ 537	$ 513	$ 1,085	$ 978
Life Sciences	177	202	376	404
Total Segment Operating Income	714	715	1,461	1,381
Acquisitions and other restructurings	(76)	(104)	(163)	(225)
Net interest expense	(79)	(96)	(169)	(187)
Other unallocated items (B)	(197)	(139)	(76)	(328)
Income Before Income Taxes	$ 362	$ 376	$ 1,054	$ 642

(A) Intersegment revenues are not material.

(B) Primarily comprised of foreign exchange, corporate expenses, and share-based compensation expense. The amount for the six months ended March 31, 2017 also included a $336 million reversal of certain reserves related to an appellate court decision which, among other things, reversed an unfavorable antitrust judgment in the RTI case. Additional disclosures regarding this legal matter are provided Note 5.

Revenues by geographic areas were as follows:

(Millions of dollars)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Six Months Ended March 31, 2017	Six Months Ended March 31, 2016
Revenues				
United States	$ 1,627	$ 1,719	$ 3,257	$ 3,410
International	1,342	1,349	2,635	2,644
Total Revenues	$ 2,969	$ 3,067	$ 5,892	$ 6,054

Note 7 – Share-Based Compensation

The Company grants share-based awards under the 2004 Employee and Director Equity-Based Compensation Plan (the "2004 Plan"), which provides long-term incentive compensation to employees and directors. The Company believes that such awards align the interests of its employees and directors with those of its shareholders.

The fair values of stock appreciation rights granted during the annual share-based grants in November of 2016 and 2015, respectively, were estimated on the date of grant using a lattice-based binomial valuation model based on the following assumptions:

	2017	2016
Risk-free interest rate	2.33 %	2.17 %
Expected volatility	20.00 %	19.00 %
Expected dividend yield	1.71 %	1.76 %
Expected life	7.5 years	7.6 years
Fair value derived	$ 33.81	$ 27.69

The fair value of share-based payments is recognized as compensation expense in net income. For the three months ended March 31, 2017 and 2016, compensation expense charged to income was $39 million and $43 million, respectively. For the six months ended March 31, 2017 and 2016, compensation expense charged to income was $99 million and $119 million, respectively.

The amount of unrecognized compensation expense for all non-vested share-based awards as of March 31, 2017 was approximately $254 million, which is expected to be recognized over a weighted-average remaining life of approximately 2.2 years.

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.

Net pension and postretirement cost included the following components for the three months ended March 31:

(Millions of dollars)	Pension Plans 2017	Pension Plans 2016	Other Postretirement Benefits 2017	Other Postretirement Benefits 2016
Service cost	$ 27	$ 20	$ 1	$ 1
Interest cost	18	18	1	1
Expected return on plan assets	(33)	(27)	—	—
Amortization of prior service credit	(4)	(4)	(1)	(1)
Amortization of loss	28	19	—	—
Settlements	—	1	—	—
Net pension and postretirement cost	$ 35	$ 27	$ 1	$ 1

Net pension and postretirement cost included the following components for the six months ended March 31:

(Millions of dollars)	Pension Plans		Other Postretirement Benefits	
	2017	2016	2017	2016
Service cost	$ 51	$ 41	$ 1	$ 1
Interest cost	35	37	2	3
Expected return on plan assets	(63)	(55)	—	—
Amortization of prior service credit	(8)	(7)	(2)	(2)
Amortization of loss	52	39	1	1
Settlements	—	1	—	—
Net pension and postretirement cost	$ 67	$ 55	$ 2	$ 3

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.

Postemployment benefit costs were $10 million for the three months ended March 31, 2017 and 2016. Postemployment benefit costs were $20 million for the six months ended March 31, 2017 and 2016. Employee termination costs associated with the Company's restructuring activities are provided in Note 10.

Note 9 – Divestiture

Respiratory Solutions

On October 3, 2016, the Company sold a 50.1% controlling financial interest in its Respiratory Solutions business, a component of the Medical segment, to form a joint venture, Vyaire Medical. The Company retained a 49.9% non-controlling interest in the new standalone entity. The buyer will control the operations and governance of the new entity. The Company accounts for its remaining interest in the new entity as an equity method investment and, beginning on January 1, 2017, records its share of the new entity's earnings or losses on a one-quarter lag 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. The historical financial results for the Respiratory Solutions business, which included approximately $213 million and $421 million of revenues for the three and six months ended March 31, 2016, respectively, have not been classified as a discontinued operation.

Note 10 – Business Restructuring Charges

In connection with the Company's fiscal year 2015 acquisition of CareFusion and other portfolio rationalization initiatives, the Company incurred restructuring costs during the six months ended March 31, 2017, which were recorded as *Acquisitions and other restructurings.* Restructuring liability activity for the six months ended March 31, 2017 was as follows:

(Millions of dollars)	Employee Termination	Other	Total
Balance at September 30, 2016	$ 67	$ 2	$ 69
Charged to expense	18	29	46
Cash payments	(28)	(17)	(45)
Non-cash settlements	—	(6)	(6)
Other adjustments	—	(7)	(7)
Balance at March 31, 2017	$ 57	$ 1	$ 58

Note 11 – Intangible Assets

Intangible assets consisted of:

(Millions of dollars)	March 31, 2017 Gross Carrying Amount	March 31, 2017 Accumulated Amortization	September 30, 2016 Gross Carrying Amount	September 30, 2016 Accumulated Amortization
Amortized intangible assets				
Customer relationships	$ 3,374	$ 451	$ 3,360	$ 339
Developed technology	3,417	879	3,409	754
Product rights	122	46	125	43
Trademarks	405	56	405	45
Patents and other	351	265	349	254
Amortized intangible assets	$ 7,670	$ 1,696	$ 7,648	$ 1,435
Unamortized intangible assets				
Acquired in-process research and development	$ 65		$ 66	
Trademarks	2		2	
Unamortized intangible assets	$ 67		$ 68	

Intangible amortization expense for the three months ended March 31, 2017 and 2016 was $131 million and $138 million, respectively. Intangible amortization expense for the six months ended March 31, 2017 and 2016 was $268 million and $289 million, respectively.

The following is a reconciliation of goodwill by business segment:

(Millions of dollars)	Medical	Life Sciences	Total
Goodwill as of September 30, 2016	$ 6,688	$ 731	$ 7,419
Acquisitions	—	24	24
Divestiture (A)	(25)	—	(25)
Currency translation	(10)	(3)	(13)
Goodwill as of March 31, 2017	$ 6,653	$ 752	$ 7,405

(A) Represents goodwill derecognized upon the Company's sale of a 50.1% controlling financial interest in the Respiratory Solutions business, as further discussed in Note 9.

Note 12 – 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 March 31, 2017 and September 30, 2016 were $1.8 billion and $2.3 billion, respectively.

In order to mitigate foreign currency exposure relating to its investments in certain foreign subsidiaries, the Company has designated $1.1 billion of euro-denominated debt, issued in December 2016, as net investment hedges. Accordingly, net gains or losses relating to this debt, which are attributable to changes in the euro to U.S. dollar spot exchange rate, are recorded as

accumulated foreign currency translation in *Other comprehensive income (loss)*. Recognition of hedge ineffectiveness into earnings will occur if the notional amount of the euro-denominated debt no longer matches the portion of the net investments in foreign subsidiaries which underlie the hedges. The Company's balance of *Accumulated other comprehensive income (loss)* as of March 31, 2017 included a loss relating to these net investment hedges of $19 million. Additional disclosures regarding the Company's issuance of the euro-denominated debt in December 2016 are provided in Note 14.

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, which were entered into to mitigate the Company's exposure to interest rate risk and were designated as cash flow hedges, was $500 million at March 31, 2017 and September 30, 2016.

The total notional amount of the Company's outstanding interest rate swaps designated as fair value hedges was $375 million at March 31, 2017 and September 30, 2016. The outstanding swaps represent fixed-to-floating interest rate swap agreements the Company entered into to convert the interest payments on $375 million of the Company's 3.125% notes due 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 (losses) recorded on these fair value hedges, which were offset by losses (gains) recorded to the underlying debt instruments, are provided below.

	Three Months Ended March 31,		Six Months Ended March 31,	
(Millions of dollars)	**2017**	**2016**	**2017**	**2016**
(Losses) gains on fair value hedges	$ (1)	$ 11	$ (16)	$ 24

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.

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)	March 31, 2017	September 30, 2016
Asset derivatives-designated for hedge accounting		
Interest rate swaps	$ 7	$ 23
Asset derivatives-undesignated for hedge accounting		
Forward exchange contracts	6	3
Total asset derivatives (A)	$ 12	$ 25
Liability derivatives-designated for hedge accounting		
Interest rate swaps	4	18
Liability derivatives-undesignated for hedge accounting		
Forward exchange contracts	5	13
Total liability derivatives (B)	$ 8	$ 31

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

(B) All liability derivatives are included in *Payables and accrued expenses.*

Effects on Consolidated Statements of Income

Cash flow hedges

The amounts recognized in other comprehensive income during the three and six months ended March 31, 2017 and 2016 related to the previously discussed forward starting interest rate swaps.

	Three Months Ended March 31,		Six Months Ended March 31,	
(Millions of dollars)	2017	2016	2017	2016
After-tax gains (losses) relating to cash flow hedges recognized in other comprehensive income (loss)	$ 1	$ (2)	$ 25	$ (2)

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

Undesignated hedges

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

Derivatives Not Designated as Hedging Instruments	Location of (Loss) Gain Recognized in Income on Derivatives	Amount of (Loss) Gain Recognized in Income on Derivatives		Amount of (Loss) Gain Recognized in Income on Derivatives	
		Three Months Ended March 31,		Six Months Ended March 31,	
(Millions of dollars)		2017	2016	2017	2016
Forward exchange contracts (A)	Other income (expense), net	$ 15	$ 15	$ (7)	$ 26

(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 13 – Financial Instruments and Fair Value Measurements

The fair values of financial instruments, including those not recognized on the statement of financial position at fair value, carried a March 31, 2017 and September 30, 2016 are classified in accordance with the fair value hierarchy in the following tables:

(Millions of dollars)	March 31, 2017 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)
Assets				
Institutional money market investments	$ 20	$ 20	$ —	$ —
Interest rate swaps	7	—	7	—
Forward exchange contracts	6	—	6	—
Total Assets	$ 32	$ 20	$ 12	$ —
Liabilities				
Forward exchange contracts	$ 5	$ —	$ 5	$ —
Interest rate swaps	4	—	4	—
Contingent consideration liabilities	63	—	—	63
Total Liabilities	$ 71	$ —	$ 8	$ 63

(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)
Assets				
Institutional money market investments	$ 224	$ 224	$ —	$ —
Interest rate swaps	23	—	23	—
Forward exchange contracts	3	—	3	—
Total Assets	$ 249	$ 224	$ 25	$ —
Liabilities				
Forward exchange contracts	$ 13	$ —	$ 13	$ —
Interest rate swaps	18	—	18	—
Contingent consideration liabilities	54	—	—	54
Total Liabilities	$ 86	$ —	$ 31	$ 54

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 $528 million and $1.317 billion at March 31, 2017 and September 30, 2016, 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 $9.5 billion and $11.3 billion at March 31, 2017 and September 30, 2016, respectively. The fair value of the current portion of long-term debt was $1.1 billion and $798 million at March 31, 2017 and September 30, 2016, respectively.

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 with regard to achievement of the contingent events. The

estimated fair values of the contingent consideration liabilities are remeasured each reporting period based upon increases or decreases in the probability of the contingent payments.

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 three and six months ended March 31, 2017 and 2016.

Note 14 – Debt

In December 2016, the Company issued euro-denominated debt consisting of 500 million euros ($531 million) of 1.000% notes due December 15, 2022 and 500 million euros ($531 million) of 1.900% notes due December 15, 2026. The Company used the net proceeds from this long-term debt offering, together with other sources of liquidity, to fund the Company's repurchase of certain of its long-term senior notes outstanding. Under this cash tender offer, the Company repurchased the following aggregate principal amounts of its long-term debt at an aggregate market price of $1.764 billion:

Interest Rate and Maturity	Aggregate Principal Amount (Millions of dollars)
1.450% Notes due May 15, 2017	$ 226
1.800% Notes due December 15, 2017	250
5.000% Notes due May 15, 2019	153
6.375% Notes due August 1, 2019	338
2.675% Notes due December 15, 2019	125
3.875% Notes due May 15, 2024	221
3.734% Notes due December 15, 2024	375
Total notes purchased	$ 1,689

The carrying value of these long-term notes was $1.727 billion, and the Company recognized a loss on this debt extinguishment of $42 million, which was recorded in December 2016 as *Other income (expense), net*, on the Company's condensed consolidated statements of income.

Note 15 – Subsequent Events

Definitive Agreement to Acquire C.R. Bard, Inc.

On April 23, 2017, the Company announced that it had entered into a definitive agreement under which BD will acquire C. R. Bard, Inc. ("Bard") for $317.00 per Bard common share in cash and stock, for a total consideration of approximately $24 billion. The combination will create a highly differentiated medical technology company uniquely positioned to improve both the process of care and the treatment of disease for patients and healthcare providers.

Under the terms of the transaction, Bard common shareholders will be entitled to receive approximately $222.93 in cash and 0.5077 shares of BD stock per Bard share, or a total of value of $317.00 per Bard common share based on BD's closing price on April 21, 2017. At closing, Bard shareholders will own approximately 15 percent of the combined company. The Company has secured access to $15.7 billion of fully committed bridge financing and expects to permanently finance the transaction with approximately $1.7 billion of available cash, as well as, subject to market conditions, approximately $10 billion of new debt, approximately $4.5 billion of equity and equity-linked securities issued to the market, and approximately $8 billion of BD common stock. The transaction is subject to regulatory and Bard shareholder approval and customary closing conditions, and is expected to close in the fall of 2017.

Amendment to Dispensing Equipment Leases

In April 2017, in conjunction with the implementation of a new "go-to-market" business model for the Company's U.S. dispensing business within the Medication Management Solutions ("MMS") unit of the Medical segment, the Company amended the terms of certain customer leases for dispensing equipment within the MMS unit. The modification provided customers the ability to reduce its dispensing asset base via a return provision, resulting in a more flexible lease term. Prior to the modification, these leases were accounted for as sales-type leases in accordance with Accounting Standards Codification

Topic 840, "Leases", as the non-cancellable lease term of five years exceeded 75% of the equipment's estimated useful life and the present value of the minimum lease payments exceeded 90% of the equipment's fair value. As a result of the lease modifications, the Company is required to reassess the classification of the leases due to the amended lease term. Accordingly, most amended lease contracts will be classified as operating leases beginning in April 2017. The change in lease classification will require the derecognition of the net investment in sales-type leases and the recognition of the underlying leased assets on the Company's balance sheet as of the effective date, and will result in an estimated non-cash, net charge to earnings of approximately $400-$500 million in the third quarter of fiscal year 2017. Beginning April 1, 2017 revenue associated with these modified contracts will be recognized on a straight-line basis over the remaining lease term, along with depreciation on the reinstated leased assets.

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

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

Company Overview

Becton, Dickinson and Company ("BD") is a global medical technology company engaged in the development, manufacture and sale of a broad range of medical supplies, devices, laboratory equipment and diagnostic products used by healthcare institutions, 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.

On April 23, 2017, we announced that we have entered into a definitive agreement under which BD will acquire C. R. Bard, Inc. ("Bard") for $317.00 per Bard common share in cash and stock, for a total consideration of approximately $24 billion. The combination will create a highly differentiated medical technology company uniquely positioned to improve both the process of care and the treatment of disease for patients and healthcare providers. BD has secured access to fully committed bridge financing and expects to permanently finance the transaction with available cash, new debt and equity securities. The transaction is subject to regulatory and Bard shareholder approval and customary closing conditions, and is expected to close in the fall of 2017. Additional discussion regarding this agreement is provided in Note 15 in the Notes to Condensed Consolidated Financial Statements

Overview of Financial Results and Financial Condition

For the three months ended March 31, 2017, worldwide revenues of $2.969 billion decreased 3.2% from the prior-year period. The decrease in revenues reflected an approximate 7% reduction in revenues due to the divestiture of the Respiratory Solutions business in October 2016. Second quarter volume growth of more than 5% for our continuing businesses was partially offset by an unfavorable impact of foreign currency translation of approximately 1%. Pricing did not materially impact second quarter revenues. Additional disclosures regarding our divestiture of the Respiratory Solutions business are provided in Note 9 in the Notes to Condensed Consolidated Financial Statements. Volume growth in the second quarter of fiscal year 2017 reflected the following:

- Medical segment volume growth in the second quarter was driven by the Medication and Procedural Solutions and Medication Management Solutions units. Second quarter revenues in the Diabetes Care and Pharmaceutical Systems units were unfavorably impacted by the timing of orders that were expected to occur in the second quarter but were received in the first quarter.
- Life Sciences segment volume growth in the second quarter was driven by the Preanalytical Systems and Diagnostic Systems units. Life Sciences segment volume growth in the second quarter was partially offset by the unfavorable timing of instrument orders and the impact of sales fulfillment delays in the Biosciences unit.
- Worldwide sales of safety-engineered products reflected growth that was attributable to both segments. Second quarter sales in the United States of safety-engineered devices of $459 million increased 3.7% and second quarter international sales of safety-engineered devices of $315 million grew 8.6% over the prior year's period, inclusive of an estimated 1.7% 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 generally 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 $1.040 billion in the first six months of fiscal year 2017. At March 31, 2017, we had $0.6 billion in cash and equivalents and short-term investments. We continued to return value to our shareholders in the form of dividends. During the first six months of fiscal year 2017, we paid cash dividends of $312 million. We also repurchased approximately $220 million of our common stock under an accelerated share repurchase agreement during the first six months of fiscal year 2017. Additional disclosures regarding this share repurchase agreement are provided in Note 4 in the Notes to Condensed Consolidated Financial Statements.

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 and earnings growth during the second quarter of fiscal year 2017. 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 summarizes second quarter Medical revenues by organizational unit, as well as second quarter Medical sales of safety-engineered products:

	Three months ended March 31,				
(Millions of dollars)	2017	2016	Total Change (B)	Estimated FX Impact	FXN Change (B)
Medication and Procedural Solutions	$ 865	$ 831	4.1 %	(0.7)%	4.8 %
Medication Management Solutions (A)	567	533	6.3 %	(0.7)%	7.0 %
Diabetes Care	243	243	— %	(0.5)%	0.5 %
Pharmaceutical Systems	312	311	0.4 %	(2.2)%	2.6 %
Respiratory Solutions (A)	—	213	NM	— %	NM
Total Medical Revenues	$ 1,987	$ 2,131	(6.8)%	(0.9)%	(5.9)%
Medical segment safety-engineered products	$ 485	$ 465	4.3 %	(0.4)%	4.7 %

(A) The presentation of prior-period amounts has been revised to conform with the presentation of current-period amounts, which does not separately present an immaterial adjustment for the amortization of a deferred revenue balance write-down relating to the CareFusion acquisition.

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

The decrease in total Medical segment revenues in the second quarter of 2017 compared with the prior-year period reflected the divestiture of the Respiratory Solutions business, as previously discussed. Second quarter revenue growth from the Medical segment's continuing units was favorably impacted by the volume of dispensing capital placements in the Medication Management Solutions unit and the Medication and Procedural Solutions unit's growth from infusion disposables products. Sales of the Diabetes Care unit's pen needles and the Pharmaceutical Systems unit's self-injection systems were unfavorably impacted by the timing of orders that were expected to occur in the second quarter but were received in the first quarter.

Medical segment revenues and sales of safety-engineered products for the six-month period were as follows:

	Six months ended March 31,				
(Millions of dollars)	2017	2016	Total Change	Estimated FX Impact	FXN Change
Total Medical Revenues	$ 3,951	$ 4,185	(5.6)%	(0.7)%	(4.9)%
Medical segment safety-engineered products	$ 968	$ 932	3.9 %	(0.3)%	4.2 %

Medical segment operating income for the three and six-month periods were as follows:

	Three months ended March 31,		Six months ended March 31,	
(Millions of dollars)	2017	2016	2017	2016
Medical segment operating income	$ 537	$ 513	$ 1,085	$ 978
Segment operating income as % of Medical revenues	*27.0%*	*24.1%*	*27.5%*	*23.4%*

The Medical segment's operating income is driven by its performance with respect to gross profit margin and operating expenses. Gross profit margin was higher in the second quarter of 2017 as compared with the second quarter of 2016 primarily due to the divestiture of the Respiratory Solutions business, which had products with relatively lower gross profit margins. Gross profit margin also reflected lower manufacturing costs resulting from continuous improvement projects, which enhanced the efficiency of our operations, partially offset by unfavorable foreign currency translation. Selling and administrative expense as a percentage of revenues for the second quarter of fiscal year 2017 was lower as a result of the divestiture of the Respiratory Solutions business as this business generally had a lower operating margin. Research and development expense as a percentage of revenues was higher in the second quarter of 2017 as compared with the second quarter of 2016, reflecting ongoing investment in new products and platforms.

Life Sciences Segment

The following summarizes second quarter Life Sciences revenues by organizational unit, as well as second quarter Life Sciences sales of safety-engineered products:

	Three months ended March 31,				
(Millions of dollars)	2017	2016	Total Change	Estimated FX Impact	FXN Change
Preanalytical Systems	$ 363	$ 340	6.6 %	(0.9)%	7.5 %
Diagnostic Systems	350	319	9.8 %	(0.7)%	10.5 %
Biosciences	269	277	(2.8)%	(1.0)%	(1.8)%
Total Life Sciences Revenues	$ 982	$ 936	4.9 %	(0.9)%	5.8 %
Life Sciences segment safety-engineered products	$ 289	$ 268	8.0 %	(1.0)%	9.0 %

Life Sciences segment revenues in the second quarter reflected the Diagnostics Systems unit's influenza-related sales, sales of its core microbiology platform, including the *BD BACTEC*™ blood culture system and *Kiestra*™, as well as sales of its *BD MAX*™ molecular platform. The segment's second quarter revenue growth also reflected sales of the Preanalytical Systems safety-engineered products, primarily in emerging markets and in the United States. Life Sciences segment revenue growth in the current-year period was partially offset by sales fulfillment delays affecting the Biosciences unit, along with unfavorable timing of instrument orders in certain international markets, compared with the prior-year period.

Life Sciences segment total revenues and sales of safety-engineered products for thesix-month period were as follows:

(Millions of dollars)	Six months ended March 31, 2017	2016	Total Change	Estimated FX Impact	FXN Change
Total Life Sciences Revenues	$ 1,940	$ 1,869	3.8%	(0.7)%	4.5%
Life Sciences segment safety-engineered products	$ 569	$ 538	5.7%	(1.0)%	6.7%

Life Sciences segment operating income for the three andsix-month periods were as follows:

(Millions of dollars)	Three months ended March 31, 2017	2016	Six months ended March 31, 2017	2016
Life Sciences segment operating income	$ 177	$ 202	$ 376	$ 404
Segment operating income as % of Life Sciences revenues	*18.0%*	*21.6%*	*19.4%*	*21.6%*

The Life Sciences segment's operating income is driven by its performance with respect to gross profit margin and operating expenses. Gross profit margin in the second quarter of fiscal year 2017 was lower compared with the second quarter of 2016 primarily due to inventory reserves, which were required for damaged research reagents in the Biosciences unit, and unfavorable foreign currency translation. These impacts to gross profit margin in the second quarter were partially offset by lower manufacturing costs resulting from continuous improvement projects which enhanced the efficiency of our operations. Selling and administrative expense as a percentage of revenues in the second quarter of 2017 was higher compared to the prior-year period reflecting higher selling costs. Research and development expense as a percentage of revenues was relatively flat in the second quarter of 2017 as compared with the second quarter of 2016.

Geographic Revenues

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

(Millions of dollars)	Three months ended March 31, 2017	2016	Total Change	Estimated FX Impact	FXN Change
United States	$ 1,627	$ 1,719	(5.4)%	—	(5.4)%
International	1,342	1,349	(0.5)%	(2.0)%	1.5 %
Total Revenues	$ 2,969	$ 3,067	(3.2)%	(0.8)%	(2.4)%

The Medical segment's U.S. revenues in the second quarter reflected the divestiture of the Respiratory Solutions business, as previously discussed. This impact was partially offset by the volume of the Medication Management Solutions unit's dispensing capital placements and the Medication and Procedural Solutions unit's sales of infusion disposables products. The Medical segment's U.S. revenue growth was unfavorably impacted by the timing of orders in the Diabetes Care unit. U.S. Life Sciences revenue growth in the second quarter of fiscal year 2017 was driven by the Diagnostic Systems unit's higher influenza-related sales as well as sales of its core microbiology platform. U.S. Life Sciences segment's revenue growth also reflected the Preanalytical Systems unit's sales of safety-engineered products.

The Medical segment's international second quarter revenues also reflected the divestiture of the Respiratory Solutions business, partially offset by the Medication Management Solutions unit's dispensing capital placements and the Medication and Procedural Solutions unit's sales of infusion disposables products. The Medical segment's second quarter international revenue growth was unfavorably impacted by the timing of orders in the Diabetes Care unit. The Life Sciences segment's second quarter international revenue growth was aided by the Diagnostic Systems unit's sales of molecular and microbiology platforms. International Life Sciences revenue growth in the current-year period also reflected the Preanalytical Systems unit's sales of safety-engineered products in emerging markets, partially offset by the previously discussed unfavorable timing of instrument orders in the Biosciences unit.

Emerging market revenues for the second quarter were $452 million, compared with $443 million in the prior year's quarter, which included approximately $23 million of revenues associated with divested businesses, primarily the Respiratory Solutions business. Emerging market revenues in the current-year period also included an estimated $4 million unfavorable impact due to foreign currency translation. Second quarter revenue growth in emerging markets was driven by sales in China and Latin America.

Specified Items

Reflected in the financial results for the three and six-month periods of fiscal years 2017 and 2016 were the following specified items:

	Three months ended March 31,		Six months ended March 31,	
(Millions of dollars)	**2017**	**2016**	**2017**	**2016**
Integration costs (A)	63	40	109	75
Restructuring costs (A)	11	64	46	149
Transaction costs (A)	8	—	14	—
Purchase accounting adjustments (B)	129	115	255	268
Litigation-related item (C)	—	—	(336)	—
Loss on debt extinguishment (D)	—	—	42	—
Total specified items	211	218	130	492
Tax impact of specified items	54	85	27	164
After-tax impact of specified items	$ 157	$ 134	$ 103	$ 329

(A) Represents integration, restructuring and transaction costs substantially associated with our fiscal year 2015 acquisition of CareFusion and other portfolio rationalization initiatives. The integration and restructuring costs were recorded in *Acquisitions and other restructurings.* The transactions costs were recorded in *Acquisitions and other restructurings* and *Other (expense) income, net.*

(B) Primarily represents non-cash amortization expense associated with acquisition-related identifiable intangible assets. BD's amortization expense is primarily recorded in *Costs of products sold.*

(C) Represents the reversal of certain reserves related to an appellate court decision recorded in *Other operating income*, as further discussed below.

(D) Represents a loss recognized in *Other (expense) income, net* upon our extinguishment of certain long-term senior notes, as further discussed below.

Gross Profit Margin

Gross profit margin for the three and six-month periods of fiscal year 2017 compared with the prior-year periods in 2016 reflected the following impacts:

	Three-month period	Six-month period
March 31, 2016 gross profit margin %	48.4 %	47.8 %
Operating performance	0.2 %	1.0 %
Impact of divestitures	0.8 %	0.8 %
Foreign currency translation	(1.2)%	(0.6)%
March 31, 2017 gross profit margin %	48.2 %	49.0 %

Operating performance in the current-year periods primarily reflected lower manufacturing costs resulting from the continuous operations improvement projects discussed above, partially offset by the impact of inventory reserves which were required for damaged research reagents in the Biosciences unit, as previously discussed. Gross profit margin for the current-year periods was favorably impacted by businesses divestitures, primarily the divestiture of the Respiratory Solutions business, which as previously discussed, had products with relatively lower gross profit margins.

Operating Expenses

A summary of operating expenses for three and six-month periods of fiscal years 2017 and 2016 is as follows:

	Three months ended March 31,		Increase (decrease) in basis points	Six months ended March 31,		Increase (decrease) in basis points
	2017	2016		2017	2016	
(Millions of dollars)						
Selling and administrative expense	$ 724	$ 732		$ 1,432	$ 1,480	
% of revenues	*24.4%*	*23.9%*	*50*	*24.3%*	*24.5%*	*(20)*
Research and development expense	$ 187	$ 182		$ 368	$ 369	
% of revenues	*6.3%*	*5.9%*	*40*	*6.2%*	*6.1%*	*10*
Acquisitions and other restructurings	$ 76	$ 104		$ 163	$ 225	
Other operating income	$ —	$ —		$ (336)	$ —	

Selling and administrative expense

Selling and administrative expense as a percentage of revenues in the current year's three-month period reflected higher selling costs. Selling and administrative expense as a percentage of revenues in the current year's six-month period was relatively flat compared with the prior-year period.

Research and development expense

Research and development expense as a percentage of revenues in the three and six-month periods of fiscal year 2017 increased compared with the prior-year periods in 2016 reflecting ongoing investment in new products and platforms primarily in the Medical segment.

Acquisitions and other restructurings

Costs relating to acquisitions and other restructurings in the three and six-month periods represented integration, restructuring and transaction costs substantially associated with our fiscal year 2015 acquisition of CareFusion and other portfolio rationalization initiatives. For further disclosures regarding the restructuring costs, refer to Note 10 in the Notes to Condensed Consolidated Financial Statements.

Other operating (income) expense, net

Other operating income in the current six-month period represented the $336 million reversal of certain reserves related to an appellate court decision which, among other things, reversed an unfavorable antitrust judgment in the Retractable Technologies, Inc. case. Additional disclosures regarding this legal matter are provided Note 5 in the Notes to Condensed Consolidated Financial Statements.

Nonoperating Income

Net interest expense

The components for the three and six-month periods of fiscal years 2017 and 2016 were as follows:

	Three months ended March 31,		Six months ended March 31,	
(Millions of dollars)	2017	2016	2017	2016
Interest expense	$ (86)	$ (99)	$ (181)	$ (196)
Interest income	7	3	12	9
Net interest expense	$ (79)	$ (96)	$ (169)	$ (187)

The decreases in interest expense for the three-month and six-month periods of fiscal year 2017 compared with the prior year's periods primarily reflected lower levels of debt as certain senior notes matured in June and November 2016 and we repurchased certain senior notes in December 2016. Additional disclosures regarding this debt repurchase are provided in Note 14 in the Notes to Condensed Consolidated Financial Statements. The increases in interest income for the three-month and six-month

periods of fiscal year 2017 compared with the prior year's periods primarily reflected higher investment gains on assets related to our deferred compensation plans. The offsetting movement in the deferred compensation plan liability was recorded in *Selling and administrative expense.*

Other (expense) income, net

The components for the three and six-month periods of fiscal years 2017 and 2016 were as follows:

	Three months ended March 31,		Six months ended March 31,	
(Millions of dollars)	**2017**	**2016**	**2017**	**2016**
Loss on debt extinguishment	$ —	$ —	$ (42)	$ —
Share of Vyaire Medical joint venture results, net of income from transition services agreements	(9)	—	5	—
Gains (losses) on undesignated foreign exchange derivatives, net	1	3	(3)	3
Other	3	3	5	8
Other (expense) income, net	$ (5)	$ 6	$ (35)	$ 11

As discussed above, we repurchased certain senior notes in December 2016 and recognized a loss on this extinguishment of debt in the first quarter of fiscal year 2017. Additional disclosures regarding our divestiture of the Respiratory Solutions business and the Vyaire Medical joint venture formed with this business are provided in Note 9 in the Notes to Condensed Consolidated Financial Statements.

Income Taxes

The income tax rates for the three and six-month periods of fiscal years 2017 and 2016 are provided below.

	Three months ended March 31,		Six months ended March 31,	
	2017	**2016**	**2017**	**2016**
Effective income tax rate	*4.9%*	*10.0%*	*14.1%*	*11.7%*
Favorable impact, in basis points, from specified items	*760*	*1,060*	*70*	*930*

The decrease in the effective income tax rate for the three-month period of fiscal year 2017 largely reflected the tax benefit recorded, upon the settlement of share-based compensation awards, for the three months ended March 31, 2017 of $21 million, as well as a net favorable benefit of several tax audit settlements during the quarter. The share-based compensation-related tax benefit was recognized in connection with BD's adoption of new accounting requirements relating to the income tax effects of share-based compensation awards. Additional disclosures regarding this adoption are provided in Note 2 in the Notes to Condensed Consolidated Financial Statements. The favorable impacts to the effective income tax rate in the current-year quarter were partially offset by a less favorable tax impact in the current-year period, compared with the prior-year period, from specified items. The increase in the effective income tax rate for the six-month period of fiscal year 2017 reflected BD's geographical mix of income and the less favorable tax impact from specified items. The effective income tax rate for the six-month period ended March 31, 2017 was favorably impacted by the year-to-date tax benefits recorded upon the settlement of share-based compensation awards, as previously discussed, of $48 million.

Net Income and Diluted Earnings per Share

Net Income and Diluted Earnings per Share for the three and six-month periods of fiscal years 2017 and 2016 were as follows:

	Three months ended March 31,		Six months ended March 31,	
	2017	**2016**	**2017**	**2016**
Net Income (Millions of dollars)	$ 344	$ 338	$ 905	$ 567
Diluted Earnings per Share	$ 1.58	$ 1.56	$ 4.15	$ 2.62
Unfavorable impact-specified items	$ (0.72)	$ (0.62)	$ (0.47)	$ (1.52)
Unfavorable impact-foreign currency translation	$ (0.16)		$ (0.17)	

Liquidity and Capital Resources

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

	Six months ended March 31,	
(Millions of dollars)	2017	2016
Net cash provided by (used for)		
Operating activities	$ 1,040	$ 1,020
Investing activities	$ (155)	$ (170)
Financing activities	$ (1,861)	$ (576)

Net Cash Flows from Operating Activities

Cash generated from operations, along with available cash and cash equivalents, is expected to be sufficient to fund our normal operating needs for the remainder of fiscal year 2017. Normal operating needs in fiscal year 2017 include working capital, capital expenditures, and cash dividends. The change 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 current period change in operating assets and liabilities was a net use of cash and primarily reflected higher levels of prepaid expenses and lower levels of accounts payable and accrued expenses. The current-year period also reflected the loss recorded upon our extinguishment of certain long-term notes in December 2016, which is included within *Other, net*.

Net Cash Flows from Investing Activities

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 expenditure-related cash outflows of $272 million in the first six months of fiscal year 2017, compared with $258 million in the prior-year period, were offset by cash inflows in the current-year period of $165 million from business divestitures. The prior-year period's net cash flows from investing activities included $111 million of proceeds from the sale of a non-core asset.

Net Cash Flows from Financing Activities

Net cash used for financing activities in the first six months of fiscal year 2017 included cash inflows relating to the issuance of euro-denominated notes in December 2016 of $1,054 million. Net cash used for financing activities during the first six months of fiscal year 2017 also reflected $2,189 million of cash outflows associated with our repurchase of certain long-term notes in December 2016 and our repayment of 1.75% notes due on November 8, 2016. Cash outflows from financing activities also reflected a net reduction of our borrowings under our commercial paper program of $50 million. Additional disclosures regarding our issuance and repurchase of debt during the first quarter of fiscal year 2017 are provided in Note 14 in the Notes to Condensed Consolidated Financial Statements. Net cash used for financing activities in the first six months of fiscal year 2017 also reflected our repurchase of $220 million of common stock under an accelerated share repurchase agreement, as previously discussed. No further share repurchases are planned in 2017, as our share repurchase program has been suspended in connection with the announced agreement to acquire Bard. Net cash flows from financing activities in the first six months of fiscal year 2016 included a payment of $300 million to reduce the balance of our commercial paper program.

Certain measures relating to our total debt were as follows:

(Millions of dollars)	March 31, 2017	September 30, 2016
Total debt	$ 10,306	$ 11,551
Short-term debt as a percentage of total debt	11.9%	8.7%
Weighted average cost of total debt	3.5%	3.6%
Total debt as a percentage of total capital*	53.3%	57.2%

* 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 March 31, 2017 increased as a result of our repurchase of certain long-term debt, as previously discussed, and the reclassification, from long-term debt to short-term debt, of notes due in December 2017. These impacts to the ratio of short-term debt as a percentage of total debt were partially offset by the repayment of $500 million of notes due in November 2016 and the issuance of euro-denominated senior notes.

Cash and Short-term Investments

At March 31, 2017, total worldwide cash and short-term investments were approximately $0.6 billion, substantially all of which 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 allows us to issue a maximum of $1.5 billion in notes and which is available to meet our short-term financing needs, including working capital requirements. Borrowings outstanding under this program were $150 million at March 31, 2017, which reflected a net reduction of $50 million from our outstanding balance of commercial paper borrowing at September 30, 2016, as previously discussed.

We also have in place a $1.5 billion syndicated credit facility which provides backup support for our commercial paper program and can also be used for other general corporate purposes. There were no borrowings outstanding under this credit facility at March 31, 2017. During the first quarter of fiscal year 2017, we extended the expiration date of this credit facility to January 2022 from the original expiration date of January 2021. We may issue up to $100 million in letters of credit under this facility and it also 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 March 31, 2017. We also have informal lines of credit outside the United States.

In connection with the announcement of the acquisition of Bard, we announced that we had secured access to fully committed bridge financing of $15.7 billion and expect to permanently finance the acquisition (in addition to the equity that will be issued to Bard stockholders) with available cash, as well as, subject to market conditions, approximately $10 billion of new debt and approximately $4.5 billion of equity and equity-linked securities. We anticipate that our existing stockholders will experience dilution as a result of the issuance of the equity and equity-linked securities. The debt may be incurred under a new or amended credit facility, our entry into one or more senior unsecured term loan facilities, as well as pursuant to issuance of senior unsecured notes. Following the announcement of the acquisition and anticipated financing plan, Moody's Investor Service and Standard & Poor's Ratings Services announced that they plan to downgrade our corporate credit rating to Ba1 and BBB, respectively. Any downgrade in our corporate credit ratings or other credit ratings may increase our cost of borrowing.

Concentrations of Credit Risk

We continually evaluate our 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. We continually evaluate all governmental receivables for potential collection risks associated with the availability of government funding and reimbursement practices. We believe the current reserves related to all governmental receivables are adequate and that these receivables will not have a material adverse impact on our financial position or liquidity.

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 changes in cash flows) and statements regarding our strategy for growth, future product development, regulatory approvals, competitive position and expenditures. All statements that address our future operating performance or events or developments that we expect or anticipate will occur in the future are forward-looking statements.

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

The following are some important factors that could cause our actual results to differ from our expectations in any forward-looking statements. For further discussion of certain of these factors, see Item 1A. Risk Factors in our 2016 Annual Report on Form 10-K.

- 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 their potential effect on our operating performance.
- Our ability to achieve our projected level or mix of product sales, as our earnings forecasts are based on projected sales volumes and pricing of many product types, some of which are more profitable than others.
- Changes in reimbursement practices of 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 (the "PPACA") 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.
- The impact of changes in U.S. federal laws and policy adopted under the new administration and Congress, including the effect that such changes will have on fiscal and tax policies, the potential repeal of all or portions of the PPACA, and international trade agreements and policies.
- 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 continue to successfully combine and integrate the CareFusion operations in order to fully obtain the anticipated benefits and costs savings from the transaction.
- Risks related to our pending acquisition of Bard, including:
    - The failure to satisfy the conditions to completing the transaction, including obtaining required regulatory approvals or approval of the Bard stockholders.
    - Conditions to obtaining regulatory approval that may place restrictions on the business of the combined company.
    - Our failure to obtain the anticipated benefits and costs savings from the acquisition.
    - The impact of the additional debt we will incur and the equity and equity-linked securities that we will issue to finance the acquisition, including on our credit ratings and costs of borrowing.
- 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 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in information reported since the end of the fiscal year ended September 30, 2016.

Item 4. Controls and Procedures

An evaluation was carried out by BD's management, with the participation of BD's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of BD's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of March 31, 2017. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were, as of the end of the period covered by this report, effective and designed to ensure that material information relating to BD and its consolidated subsidiaries would be made known to them by others within these entities. There were no changes in our internal control over financial reporting during the fiscal quarter ended March 31, 2017 identified in connection with the above-referenced evaluation that have materially affected, or are reasonably likely to materially affect, BD's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are involved, both as a plaintiff and a defendant, in various legal proceedings which arise in the ordinary course of business, including product liability and environmental matters as set forth in our 2016 Annual Report on Form 10-K and in Note5 of the Notes to Condensed Consolidated Financial Statements in this report. SinceDecember 31, 2016, there have been no material developments with respect to the legal proceedings in which we are involved, except as provided below.

Antitrust and False Advertising Action

As previously reported, on December 2, 2016, the Court of Appeals issued an opinion reversing the district court judgment as to RTI's attempted monopolization claim and rendered judgment on that claim in favor of BD. The Court of Appeals affirmed the district court judgment for Lanham Act liability, and remanded the case to the district court to consider whether and if so how much profit should be disgorged by BD on that claim. The Court of Appeals vacated and remanded the injunction ordered by the Court.

On January 31, 2017, RTI filed a petition for a writ of certiorari with the U.S. Supreme Court. On March 20, 2017, the U.S. Supreme Court denied certiorari, and the matter will now return to the district court for a ruling on RTI's request for disgorgement.

Summary

Given the uncertain nature of litigation generally, BD 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 BD is a party. In accordance with U.S. generally accepted accounting principles, BD 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 above, BD 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 cash flows.

Item 1A. Risk Factors

There were no material changes in the risk factors previously disclosed in Part I, Item 1A, of our 2016 Annual Report on Form 10-K during the period covered by this report, except as follows:

Risks Related to the Bard Acquisition

Completion of the Bard acquisition is subject to conditions and if these conditions are not satisfied or waived, the Bard acquisition will not be completed.

The obligations of us and Bard to complete the Bard acquisition are subject to satisfaction or waiver of a number of conditions, including approval of the Bard acquisition by the Bard stockholders, the expiration or termination of the applicable waiting period in connection with the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), the receipt of any authorization or consent from certain other governmental authorities required to be obtained with respect to the merger under applicable foreign antitrust laws, the effectiveness of a registration statement on Form S-4 to be filed with respect to shares of our common stock to be issued in the Bard acquisition, approval of the listing on the NYSE of shares of our common stock to be issued in the Bard acquisition, and the absence of an injunction prohibiting the Bard acquisition. Each party's obligation to complete the Bard acquisition is subject to the satisfaction or waiver (to the extent permitted under applicable law) of certain other customary conditions, the accuracy of the representations and warranties of the other party under the Bard merger agreement (subject to the materiality standards set forth in the Bard merger agreement), the performance by the other party of its respective obligations under the Bard merger agreement in all material respects and delivery of officer certificates by the other party certifying satisfaction of the two preceding conditions. Either we or Bard may, subject to certain exceptions, terminate the Bard merger agreement upon mutual consent or if the Bard acquisition has not been consummated on or before January 23, 2018 (or before April 23, 2018 if all closing conditions have been satisfied other than the receipt of required competition approvals).

The failure to satisfy all of the required conditions could delay the completion of the Bard acquisition for a significant period of time or prevent it from occurring. If the Bard acquisition is not completed, our ongoing business may be materially adversely affected and, without realizing any of the benefits of having completed the Bard acquisition, we will be subject to a number of risks, including the following:

- the market price of our common stock could decline;
- if the Bard merger agreement is terminated and our board of directors seeks another business combination, our stockholders cannot be certain that we will be able to find a party willing to enter into a transaction on terms equivalent to or more attractive than the terms that Bard has agreed to in the Bard merger agreement;
- time and resources, financial and other, committed by our management to matters relating to the Bard acquisition could otherwise have been devoted to pursuing other beneficial opportunities for our company;
- we may experience negative reactions from the financial markets or from our customers or employees; and
- we will be required to pay our respective costs relating to the Bard acquisition, including legal, accounting, financial advisory, financing and printing fees, whether or not the Bard acquisition is completed.

In addition, if the Bard acquisition is not completed, we could be subject to litigation related to any failure to complete the Bard acquisition or related to any enforcement proceeding commenced against us to perform our obligations under the Bard merger agreement. The materialization of any of these risks could materially and adversely impact our ongoing business.

Similarly, any delay in completing the Bard acquisition could, among other things, result in additional transaction costs, loss of revenue or other negative effects associated with uncertainty about completion of the Bard acquisition and cause us not to realize some or all of the benefits that we expect to achieve if the Bard acquisition is successfully completed within its expected timeframe. There can be no assurance that the conditions to the closing of the Bard acquisition will be satisfied or waived or that the Bard acquisition will be consummated.

In order to complete the Bard acquisition, we and Bard must make certain governmental filings and obtain certain governmental authorizations, and if such filings and authorizations are not made or granted or are granted with conditions, completion of the Bard acquisition may be jeopardized or the anticipated benefits of the Bard acquisition could be reduced.

Although we and Bard have agreed in the Bard merger agreement to use reasonable best efforts, subject to certain limitations, to make certain governmental filings, to obtain the required expiration or termination of the waiting period under the HSR Act and to obtain any authorization or consent from certain other governmental authorities required to be obtained with respect to the merger under applicable foreign antitrust laws, there can be no assurance that such approvals will be obtained. As a condition to granting termination of the waiting period under the HSR Act and to adoption of approvals of the

Bard acquisition, governmental authorities may impose requirements, limitations or costs or require divestitures or place restrictions on the conduct of our business after completion of the Bard acquisition.

Under the terms of the Bard merger agreement, subject to certain exceptions, we and our subsidiaries are required to accept certain conditions and take certain actions imposed by certain governmental authorities that would apply to, or affect, the businesses, assets or properties of us, our subsidiaries or Bard and its subsidiaries. There can be no assurance that regulators will not impose conditions, terms, obligations or restrictions and that such conditions, terms, obligations or restrictions will not have the effect of (i) delaying completion of the Bard acquisition, (ii) imposing additional material costs on or materially limiting the revenues of the combined company following the Bard acquisition, or (iii) otherwise adversely affecting our businesses and results of operations after completion of the Bard acquisition. In addition, we can provide no assurance that these conditions, terms, obligations or restrictions will not result in the delay or abandonment of the Bard acquisition.

Each party is subject to business uncertainties and contractual restrictions while the proposed merger is pending, which could adversely affect each party's or the combined company's business and operations.

In connection with the pendency of the Bard acquisition, it is possible that some customers, suppliers and other persons with whom we or Bard have a business relationship may delay or defer certain business decisions or might decide to seek to terminate, change or renegotiate their relationships with us or Bard, as the case may be, as a result of the Bard acquisition, which could negatively affect our or Bard's respective revenues, earnings and cash flows, regardless of whether the Bard acquisition is completed. If the Bard acquisition is completed, such terminations, changes or renegotiations could negatively affect the revenues, earnings and cash flows of the combined company. These risks may be exacerbated by delays or other adverse developments with respect to the completion of the Bard acquisition.

Risks Relating to the Combined Company After Completion of the Bard Acquisition

Combining the two companies may be more difficult, costly or time consuming than expected and the anticipated benefits and cost savings of the Bard acquisition may not be realized.

We and Bard have operated and, until the completion of the Bard acquisition, will continue to operate, independently. The success of the Bard acquisition, including anticipated benefits and cost savings, will depend, in part, on our ability to successfully combine and integrate our business with the business of Bard.

The Bard acquisition will involve the integration of Bard's business with our existing business, which is a complex, costly and time-consuming process. It is possible that the pendency of the Bard acquisition and/or the integration process could result in material challenges, including, without limitation:

- the diversion of management's attention from ongoing business concerns and performance shortfalls at one or both of the companies as a result of the devotion of management's attention to the Bard acquisition;
- managing a larger combined company;
- maintaining employee morale and retaining key management and other employees;
- the possibility of faulty assumptions underlying expectations regarding the integration process;
- retaining existing business and operational relationships and attracting new business and operational relationships;
- consolidating corporate and administrative infrastructures and eliminating duplicative operations and inconsistencies in standards, controls, procedures and policies;
- coordinating geographically separate organizations;
- unanticipated issues in integrating information technology, communications and other systems; and
- unforeseen expenses or delays associated with the Bard acquisition.

Many of these factors will be outside of the combined company's control and any one of them could result in delays, increased costs, decreases in revenues and diversion of management's time and energy, which could materially affect the combined company's financial position, results of operations and cash flows.

If we experience difficulties with the integration process, the anticipated benefits of the Bard acquisition 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 (i) each of us and Bard during this transition period and (ii) the combined company for an undetermined period after completion of the Bard acquisition. In addition, the actual cost savings of the Bard acquisition could be less than anticipated.

In addition, certain risks associated with our industry and business described herein and in our public filings may become more significant following consummation of the Bard acquisition, including, but not limited to, risks relating to: the continued focus by third-party payors on cost containment and government scrutiny of the healthcare industry's sales and

marketing practices, various healthcare reform proposals that have emerged on the federal and state levels and in other jurisdictions where the combined company sells its products, collective bargaining and labor activity and the integrity of our information systems that are run by third party vendors and such vendors' ability to maintain their systems and reduce any vulnerability to natural and system disruptions and prevent cyber-attacks and other unauthorized access.

The future results of the combined company may be adversely impacted if the combined company does not effectively manage its expanded operations following the completion of the Bard acquisition.

Following the completion of the Bard acquisition, the size of the combined company's business will be significantly larger than the current size of either our or Bard's respective businesses. The combined company's ability to successfully manage this expanded business will depend, in part, upon management's ability to design and implement strategic initiatives that address not only the integration of two discrete companies, but also the increased scale and scope of the combined business with its associated increased costs and complexity. There can be no assurances that the combined company will be successful or that it will realize the expected operating efficiencies, cost savings and other benefits currently anticipated from the Bard acquisition.

The combined company is expected to incur substantial expenses related to the completion of the Bard acquisition and the integration of BD and Bard.

We and Bard have incurred, and expect to continue to incur, a number of non-recurring costs associated with the Bard acquisition and combining the operations of the two companies. The substantial majority of non-recurring expenses will be comprised of transaction and regulatory costs related to the Bard acquisition.

We also will incur transaction fees and costs related to formulating and implementing integration plans, including facilities and systems consolidation costs and employment-related costs. We continue to assess the magnitude of these costs, and additional unanticipated costs may be incurred in the Bard acquisition and the integration of the two companies' businesses. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, should allow us to offset integration-related costs over time, this net benefit may not be achieved in the near term, or at all.

In connection with the Bard acquisition, we will incur significant additional indebtedness, and certain of Bard's indebtedness will remain outstanding, which could adversely affect us, including by decreasing our business flexibility, and will increase our interest expense.

Our consolidated indebtedness as of March 31, 2017 was approximately $10.3 billion. We will have substantially increased indebtedness following completion of the Bard acquisition, including the incurrence of new indebtedness to finance the Bard acquisition and assumption of Bard's existing indebtedness, in comparison to our indebtedness on a recent historical basis, which could have the effect of, among other things, reducing our flexibility to respond to changing business and economic conditions and increasing our interest expense.

The amount of cash required to pay interest on our increased indebtedness levels following completion of the Bard acquisition, and thus the demands on our cash resources, will be greater than the amount of cash flows required to service our indebtedness prior to the Bard acquisition. The increased levels of indebtedness following completion of the Bard acquisition could also reduce funds available for working capital, capital expenditures, acquisitions, the repayment or refinancing of our indebtedness as it becomes due and other general corporate purposes and may create competitive disadvantages for us relative to other companies with lower debt levels. In addition, certain of the indebtedness to be incurred in connection with the Bard acquisition may bear interest at variable interest rates. If interest rates increase, variable rate debt will create higher debt service requirements, which could further adversely affect our cash flows. If we do not achieve the expected benefits and cost savings from the Bard acquisition, or if the financial performance of the combined company does not meet current expectations, then our ability to service our indebtedness may be adversely impacted.

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. In connection with the debt financing for the Bard acquisition, it is anticipated that we will seek ratings of our indebtedness from one or more nationally recognized statistical rating organizations. There can be no assurance that we will achieve a particular rating or maintain a particular rating in the future or that we will be able to maintain our current rating. Furthermore, we expect that our combined company's credit ratings will be lower following the Bard acquisition, including below "investment grade" by Moody's Investors Service, Inc., which may further increase the combined company's future borrowing costs and reduce the combined company's access to capital.

Moreover, in the future we may be required to raise substantial additional financing to fund working capital, capital expenditures, the repayment or refinancing of our indebtedness, 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. We cannot assure you that it will be able to obtain additional financing or refinancing on terms acceptable to us or at all.

We may not be able to service all of the combined company's indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful. Our failure to meet our debt service obligations could have a material adverse effect on our business, financial condition and results of operations.

We depend on cash on hand and cash flows from operations to make scheduled debt payments. We expect to be able to meet the estimated cash interest payments on the combined company's debt following the Bard acquisition through a combination of the expected cash flows from operations of the combined company. However, our ability to generate sufficient cash flow from operations of the combined company and to utilize other methods to make scheduled payments will depend on a range of economic, competitive and business factors, many of which are outside of our control. There can be no assurance that these sources will be adequate. If we are unable to service our indebtedness and fund our operations, we will be forced to reduce or delay capital expenditures, seek additional capital, sell assets or refinance our indebtedness. Any such action may not be successful and we may be unable to service our indebtedness and fund our operations, which could have a material adverse effect on our business, financial condition or results of operations.

The agreements that will govern the indebtedness to be incurred in connection with the Bard acquisition may 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 will govern the indebtedness to be incurred in connection with the Bard acquisition may contain various affirmative and negative covenants that may, subject to certain significant exceptions, restrict the ability of certain of our subsidiaries to incur debt and the ability of us and certain of our subsidiaries to, among other things, have liens on our property, and/or merge or consolidate with any other person or sell or convey certain of our assets to any one person, engage in certain transactions with affiliates and change the nature of our business. In addition, the agreements may also require us to comply with certain financial covenants, including financial ratios. The ability of us and 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 and could result in a default and acceleration under other agreements containing cross-default provisions. Under these circumstances, we might not have sufficient funds or other resources to satisfy all of our obligations.

Uncertainties associated with the Bard acquisition may cause a loss of management personnel and other key employees of Bard or us, which could adversely affect the future business and operations of the combined company following the Bard acquisition.

We and Bard are dependent on the experience and industry knowledge of our respective officers and other key employees to execute our respective business plans. The combined company's success after the Bard acquisition will depend in part upon its ability to retain key management personnel and other key employees of us and Bard. Current and prospective employees of us and Bard may experience uncertainty about their future roles with the combined company following the Bard acquisition, which may materially adversely affect the ability of each of us and Bard to attract and retain key personnel during the pendency of and after the Bard acquisition. Accordingly, no assurance can be given that the combined company will be able to retain key management personnel and other key employees of us and Bard.

Completion of the Bard acquisition will trigger change in control or other provisions in certain agreements to which Bard is a party, which may have an adverse impact on the combined company's business and results of operations.

The completion of the Bard acquisition will trigger change in control and other provisions in certain agreements to which Bard is a party. If we and Bard are unable to negotiate waivers of those provisions, the counterparties may exercise their rights and remedies under the agreements, potentially terminating the agreements or seeking monetary damages. Even if we and Bard are able to negotiate waivers, the counterparties may require a fee for such waivers or seek to renegotiate the agreements on terms less favorable to Bard or the combined company. Any of the foregoing or similar developments may have an adverse impact on the combined company's business and results of operations.

For example, if the ratings of certain of Bard's outstanding senior notes are reduced beyond certain thresholds within certain time periods prior to or following the consummation of the Bard acquisition, Bard could be required to offer to

repurchase such notes at 101% of the aggregate principal amount of such notes plus any accrued and unpaid interest to the repurchase date.

Following the consummation of the Bard acquisition, the combined company will assume certain potential liabilities relating to Bard, including certain products liability and mass torts claims.

Following the consummation of the Bard acquisition, the combined company will have assumed certain potential liabilities relating to Bard, including certain products liability and mass tort claims with respect to the design, manufacture and marketing of medical devices and related settlement agreements and judgements. Such claims include Hernia Product Claims, Women's Health Product Claims, Filter Product Claims and other claims. As of March 31, 2017, Bard has reported that there are: (i) approximately 25 federal and 80 state lawsuits involving individual claims by approximately 105 plaintiffs, as well as one putative class action in the United States, are currently pending against Bard with respect to the Hernia Product Claims, (ii) product liability lawsuits involving individual claims by approximately 5,305 plaintiffs are currently pending against Bard in various federal and state jurisdictions with respect to the Women's Health Product Claims and (iii) product liability lawsuits involving individual claims by approximately 1,755 plaintiffs are currently pending against Bard in various federal and state jurisdictions with respect to the Filter Product Claims.

Bard does not maintain or has limited remaining insurance coverage for certain of these claims and the combined company may not be able to obtain additional insurance on acceptable terms or at all that will provide adequate protection against potential liabilities. Moreover, in some circumstances adverse events arising from or associated with the design, manufacture, quality or marketing of our combined company's products could result in the FDA suspending or delaying its review of our applications for new product approvals, or imposing post market approval requirements. In addition, reserves established by Bard or the combined company for estimated losses, including with respect to these claims, do not represent an exact calculation of actual liability but instead represent estimates of the probable loss at the time the reserve is established. Due to the inherent uncertainty underlying loss reserve estimates, additional reserves may be established from time-to-time, and actual losses relating to the assumed Bard liabilities may be materially higher or lower than the related reserve. Any of the foregoing could have a material adverse effect on our business, financial condition or results of operations.

Risks Related to Ownership of Our Common Stock

Future sales and issuances of our shares of common stock could reduce the market price of our shares of common stock.

We will issue a significant number of shares of our common stock in connection with the Bard acquisition. Many Bard stockholders may decide not to hold the shares of our common stock they will receive in the Bard acquisition. Other Bard stockholders, such as funds with limitations on their permitted holdings of stock in individual issuers, may be required to sell the shares of our common stock that they receive in the Bard acquisition. Such sales of our common stock could have the effect of depressing the market price for our common stock and may take place promptly following the Bard acquisition.

In addition, we expect to issue a significant amount of equity and equity-linked securities to finance a portion of the Bard acquisition. To the extent we issue equity or equity-linked securities that are convertible into shares of our common stock, the market price of our common stock could become more volatile and could be depressed by:

- investors' anticipation of the potential resale in the market of a substantial number of additional shares of our common stock, including common stock received upon conversion of any equity-linked securities;
- possible sales of our common stock by investors who view the equity-linked securities as a more attractive means of equity participation in us than owning shares of our common stock; and
- hedging or arbitrage trading activity that may develop involving the equity or equity-linked securities.

Any of these events may dilute your ownership interest in our company and have an adverse impact on the price of our common stock.

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

The table below sets forth certain information regarding our purchases of common stock of BD during the quarter ended March 31, 2017.

Issuer Purchases of Equity Securities

For the three months ended March 31, 2017	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (2)
January 1 – 31, 2017	2,217	$ 164.51	—	7,857,742
February 1 – 28, 2017	392	179.46	—	7,857,742
March 1 – 31, 2017	—	—	—	7,857,742
Total	2,609	$ 166.76	—	7,857,742

(1) Includes 2,609 shares purchased during the quarter in open market transactions by the trust relating to BD's Deferred Compensation and Retirement Benefit Restoration Plan and 1996 Directors' Deferral Plan.

(2) Represents shares available under a repurchase program authorized by the Board of Directors on September 24, 2013 for 10 million shares, for which there is no expiration date.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Alexandre Conroy has been appointed BD's Worldwide President, BD Medical - Medication and Procedural Solutions, effective May 1, 2017. Mr. Conroy had been serving as BD's Executive Vice President and President, Europe, EMA and Americas since 2011.

Item 6. Exhibits

Exhibit 2	Agreement and Plan of Merger, dated as of April 23, 2017, among C.R. Bard, Inc., Becton, Dickinson and Company and Lambda Corp. (incorporated by reference to Exhibit 2.1 of the registrant's Current Report on Form 8-K dated April 24, 2017).
Exhibit 3	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 of the registrant's Current Report on Form 8-K dated April 24, 2017).
Exhibit 10.1	Performance Incentive Plan, amended and restated as of January 24, 2017.
Exhibit 10.2	Commitment Letter (incorporated by reference to Exhibit 10.1 of the registrant's Current Report on Form 8-K dated April 24, 2017).
Exhibit 31	Certifications of Chief Executive Officer and Chief Financial Officer, pursuant to SEC Rule 13a - 14(a).
Exhibit 32	Certifications of Chief Executive Officer and Chief Financial Officer, pursuant to Rule 13a - 14(b) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code.
Exhibit 101	The following materials from this report, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements.

SIGNATURES

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

Becton, Dickinson and Company
(Registrant)

Dated: May 2, 2017

/s/ Christopher Reidy

Christopher Reidy

Executive Vice President, Chief Financial Officer and Chief Administrative Officer

(Principal Financial Officer)

/s/ John Gallagher

John Gallagher

Senior Vice President, Corporate Finance, Controller and Treasurer

(Principal Accounting Officer)

INDEX TO EXHIBITS

Exhibit Number	Description of Exhibits
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Exhibit 10.1

BECTON, DICKINSON AND COMPANY
PERFORMANCE INCENTIVE PLAN
AMENDED AND RESTATED AS OF JANUARY 24, 2017

PURPOSE

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

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

PERFORMANCE INCENTIVE COMMITTEE

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

ELIGIBILITY

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

PARTICIPATION LEVELS

Plan targets for eligible employees are determined based upon the scope and responsibilities of the position.

INCENTIVE CALCULATION

Incentive payments shall be made under the Plan based upon total company, unit, region and individual performance, as measured against certain financial and strategic criteria and targets established from time to time by the Compensation and Management Development Committee of the Board of Directors (the "Compensation Committee"), or by the Chairman, Chief Executive Officer & President, as applicable.

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

For purposes of this Plan:

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

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

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

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

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

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

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

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

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

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

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

POOL FACTOR SCALES AND MULTIPLIERS

Funding levels for incentive payments shall be determined based on Company performance as measured against the corporate performance targets in accordance with the formula established on an annual basis by the Compensation Committee. Funding levels are adjusted both upwards (for performance above target) and downwards (for performance below target).

DETERMINATION OF INCENTIVE POOLS

(a) Theoretical Incentive

Following the close of each fiscal year, unit, region and function heads will be provided with a list of approved participants for whom that unit, region or function has, during the course of the prior fiscal year, accrued a hypothetical incentive pool at 100% of target.

(b) Incentive Factors

Following the close of each fiscal year, the Chairman, Chief Executive Officer & President in consultation with other members of the Performance Incentive Committee, and the Compensation Committee, as applicable, will determine the final incentive factors used to determine business modifiers for the fiscal year. The incentive pool for a unit, region or function is determined by applying the respective business modifier to the hypothetical accrued incentive pool.

Business modifiers will be established based on one or more of total company, unit and region incentive factors.

(c) Communication

The operating unit and performance results will be communicated throughout the organization.

(d) Incentive Payment Recommendations

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

FINAL REVIEW AND APPROVAL

The recommendations for all incentive payments will be reviewed and approved by the unit, region and function heads for their respective areas of responsibility and Chairman, Chief Executive Officer & President for the Company. In the case of executive officers, recommendations will be subject to final review and approval by the Compensation Committee (and, in the case of the Chairman, Chief Executive Officer & President, the independent members of the Board of Directors).

(a) Payment

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

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

(b) Exceptions

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

RECOVERY OF INCENTIVE PAYMENTS

Any incentive payment approved under this Plan shall be subject to the terms of the Company's Policy Regarding the Recovery of Compensation, effective May 20, 2008, as the same may be subsequently amended (the "Policy"); provided, that no amendment to the Policy shall adversely affect the rights of an employee with respect to any incentive payment that is approved in accordance with this Plan prior to such amendment.

Exhibit 31

CERTIFICATIONS

I, Vincent A. Forlenza, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Becton, Dickinson and Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2017

/s/ Vincent A. Forlenza

Vincent A. Forlenza

Chairman and Chief Executive Officer

I, Christopher Reidy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Becton, Dickinson and Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2017

/s/ Christopher Reidy

Christopher Reidy

Executive Vice President, Chief Financial Officer and Chief Administrative Officer

Exhibit 32

The certification set forth below is being submitted in connection with the Quarterly Report on Form 10-Q of Becton, Dickinson and Company for the quarter ended March 31, 2017 (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.

May 2, 2017

/s/ Vincent A. Forlenza

Name: Vincent A. Forlenza

Chief Executive Officer

The certification set forth below is being submitted in connection with the Quarterly Report on Form 10-Q of Becton, Dickinson and Company for the quarter ended March 31, 2017 (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 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.

May 2, 2017

/s/ Christopher Reidy

Name: Christopher Reidy
Chief Financial Officer