

---

---

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

---

**FORM 10-Q**

---

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

**For the quarter ended March 31, 2008**

**Commission File Number 1-6926**

---

**C. R. BARD, INC.**

(Exact name of registrant as specified in its charter)

---

**New Jersey**  
(State of incorporation)

**730 Central Avenue**  
**Murray Hill, New Jersey 07974**  
(Address of principal  
executive offices)

**22-1454160**  
(I.R.S. Employer  
Identification No.)

**Registrant's telephone number, including area code: (908) 277-8000**

---

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if smaller reporting company)

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

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

Class  
Common Stock - \$0.25 par value

Outstanding at March 31, 2008  
99,277,213

---

---

## C. R. BARD, INC. AND SUBSIDIARIES

### INDEX

	<u>PAGE NO.</u>
<b>PART I – FINANCIAL INFORMATION</b>	
Item 1. Financial Statements (unaudited)	
<u>Condensed Consolidated Statements of Income for the Three Months Ended March 31, 2008 and 2007</u>	3
<u>Condensed Consolidated Balance Sheets – March 31, 2008 and December 31, 2007</u>	4
<u>Condensed Consolidated Statements of Shareholders’ Investment for the Three Months Ended March 31, 2008 and 2007</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2008 and 2007</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	16
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	27
Item 4. <u>Controls and Procedures</u>	27
<b>PART II – OTHER INFORMATION</b>	
Item 1. <u>Legal Proceedings</u>	28
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	29
Item 4. Submission of Matters to a Vote of Security Holders	30
Item 5. <u>Other Information</u>	31
Item 6. <u>Exhibits</u>	31
<u>Signatures</u>	32

**C. R. BARD, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
*(dollars in thousands except per share amounts, unaudited)*

	<b>Three Months</b>	
	<b>Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
Net sales	\$584,000	\$528,200
Costs and expenses:		
Cost of goods sold	225,500	206,500
Marketing, selling and administrative expense	168,900	153,700
Research and development expense	85,800	30,100
Interest expense	3,000	2,900
Other income, net	(4,000)	(7,400)
Total costs and expenses	479,200	385,800
Income from continuing operations before income taxes	104,800	142,400
Income tax provision	26,800	40,800
Income from continuing operations	78,000	101,600
Discontinued operations:		
Income from operations	—	100
Income tax provision	—	100
Income on discontinued operations	—	—
Net income	\$ 78,000	\$101,600
Basic earnings per share:		
Income from continuing operations	\$ 0.78	\$ 0.98
Income on discontinued operations	—	—
Net income per share	\$ 0.78	\$ 0.98
Diluted earnings per share:		
Income from continuing operations	\$ 0.76	\$ 0.95
Income on discontinued operations	—	—
Net income per share	\$ 0.76	\$ 0.95

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

**C. R. BARD, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
*(dollars in thousands except share and per share amounts, unaudited)*

	March 31, 2008	December 31, 2007
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 414,700	\$ 488,400
Short-term investments	33,300	82,200
Accounts receivable, less allowances of \$14,600 and \$15,600, respectively	374,100	362,000
Inventories	270,200	244,700
Short-term deferred tax assets	38,400	36,500
Other current assets	42,700	28,200
<b>Total current assets</b>	<b>1,173,400</b>	<b>1,242,000</b>
Property, plant and equipment, at cost	590,800	577,100
Less accumulated depreciation and amortization	244,200	232,500
Net property, plant and equipment	346,600	344,600
Intangibles, net	829,700	773,000
Deferred tax assets	47,200	44,400
Other assets	75,300	71,500
<b>Total assets</b>	<b>\$2,472,200</b>	<b>\$2,475,500</b>
<b>LIABILITIES AND SHAREHOLDERS' INVESTMENT</b>		
Current liabilities:		
Short-term borrowings and current maturities of long-term debt	\$ —	\$ 800
Accounts payable	63,900	50,200
Accrued compensation and benefits	68,100	99,800
Accrued expenses	120,900	118,500
Income taxes payable	41,300	12,400
<b>Total current liabilities</b>	<b>294,200</b>	<b>281,700</b>
Long-term debt	149,800	149,800
Other long-term liabilities	182,300	175,800
Deferred income taxes	20,400	20,200
Commitments and contingencies	—	—
Shareholders' investment:		
Preferred stock, \$1 par value, authorized 5,000,000 shares; none issued	—	—
Common stock, \$0.25 par value, authorized 600,000,000 shares; issued and outstanding 99,277,213 shares at March 31, 2008 and 100,191,117 shares at December 31, 2007	24,800	25,000
Capital in excess of par value	882,100	824,200
Retained earnings	865,400	956,300
Accumulated other comprehensive income	53,200	42,500
<b>Total shareholders' investment</b>	<b>1,825,500</b>	<b>1,848,000</b>
<b>Total liabilities and shareholders' investment</b>	<b>\$2,472,200</b>	<b>\$2,475,500</b>

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

**C. R. BARD, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' INVESTMENT**  
*(dollars in thousands except share amounts, unaudited)*

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comp. Inc.	Total
	Shares	Amount				
Balance at December 31, 2007	100,191,117	\$25,000	\$ 824,200	\$ 956,300	\$ 42,500	\$1,848,000
Net income				78,000		78,000
Available for sale securities (net of \$100 taxes)					(300)	(300)
Change in derivative instruments designated as cash flow hedges (net of \$100 taxes)					—	—
Amortization of items included in net periodic benefit cost (net of \$300 taxes)					700	700
Foreign currency translation adjustment					10,300	10,300
<b>Total comprehensive income</b>				<b>78,000</b>	<b>10,700</b>	<b>88,700</b>
Issuance of common stock	829,588	200	28,400			28,600
Share-based compensation			10,400			10,400
Purchase of common stock for treasury	(1,743,492)	(400)		(168,900)		(169,300)
Tax benefit relating to share-based compensation plans			19,100			19,100
Balance at March 31, 2008	<u>99,277,213</u>	<u>\$24,800</u>	<u>\$ 882,100</u>	<u>\$ 865,400</u>	<u>\$ 53,200</u>	<u>\$1,825,500</u>
Balance at December 31, 2006	103,155,437	\$25,800	\$ 659,700	\$1,026,800	\$ (14,300)	\$1,698,000
Net income				101,600		101,600
Available for sale securities (net of \$100 taxes)					(200)	(200)
Change in derivative instruments designated as cash flow hedges (net of \$200 taxes)					(200)	(200)
Amortization of items included in net periodic benefit cost (net of \$400 taxes)					1,000	1,000
Foreign currency translation adjustment					(1,000)	(1,000)
<b>Total comprehensive income</b>				<b>101,600</b>	<b>(400)</b>	<b>101,200</b>
Issuance of common stock	342,695	100	17,000			17,100
Share-based compensation			12,100			12,100
Adjustment for the adoption of FIN 48				5,300		5,300
Tax benefit relating to share-based compensation plans			6,300			6,300
Balance at March 31, 2007	<u>103,498,132</u>	<u>\$25,900</u>	<u>\$ 695,100</u>	<u>\$1,133,700</u>	<u>\$ (14,700)</u>	<u>\$1,840,000</u>

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

**C. R. BARD, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(dollars in thousands, unaudited)*

	Three Months Ended March 31,	
	2008	2007
<b>Cash flows from operating activities from continuing operations:</b>		
Net income	\$ 78,000	\$101,600
Income on discontinued operations	—	—
Income from continuing operations	78,000	101,600
Adjustments to reconcile income from continuing operations to derive net cash provided from continuing operating activities, net of acquired businesses:		
Depreciation and amortization	21,900	18,800
Purchased research and development	49,300	—
Deferred income taxes	(25,800)	(3,800)
Share-based compensation plans	10,400	12,100
Inventory reserves and provision for doubtful accounts	3,200	2,100
Other noncash items	(900)	(1,200)
Changes in assets and liabilities:		
Accounts receivable	(7,900)	5,700
Inventories	(15,700)	(7,600)
Current liabilities	(8,700)	16,600
Other, net	2,800	(400)
Net cash provided by operating activities from continuing operations	<u>106,600</u>	<u>143,900</u>
<b>Cash flows from investing activities from continuing operations:</b>		
Capital expenditures	(10,400)	(13,800)
Change in short-term investments, net	48,900	(22,200)
Net proceeds from investments	—	200
Payments made for purchases of businesses, net of cash acquired	(75,700)	(200)
Payments made for intangibles	(8,000)	(7,600)
Net cash used in investing activities from continuing operations	<u>(45,200)</u>	<u>(43,600)</u>
<b>Cash flows from financing activities from continuing operations:</b>		
Repayments of short-term borrowings, net	(800)	—
Proceeds from exercises under share-based compensation plans, net	21,300	10,600
Excess tax benefit relating to share-based compensation plans	17,100	5,800
Purchase of common stock	(158,300)	—
Dividends paid	(15,200)	(14,500)
Net cash (used in)/provided by financing activities from continuing operations	<u>(135,900)</u>	<u>1,900</u>
<b>Net cash flows from discontinued operations:</b>		
Net cash provided by operating activities	—	400
Effect of exchange rate changes on cash and cash equivalents	800	100
(Decrease) increase in cash and cash equivalents during the period	<u>(73,700)</u>	<u>102,700</u>
Balance at January 1	488,400	416,200
Balance at March 31	<u>\$ 414,700</u>	<u>\$518,900</u>
Supplemental cash flow information		
Cash paid for:		
Interest	\$ 500	\$ 400
Income taxes	\$ 9,800	\$ 2,700
Noncash transactions:		
Purchase of common stock not settled	\$ 11,000	\$ —
Acquisition costs related to purchase of a business or intangibles	\$ 1,900	\$ —

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

**C. R. BARD, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements of C. R. Bard, Inc. (the “company” or “Bard”) should be read in conjunction with the audited consolidated financial statements and notes thereto included in the company’s 2007 Annual Report on Form 10-K. These financial statements have been prepared on a basis that is substantially consistent with the accounting principles applied in our 2007 Annual Report on Form 10-K. The preparation of these financial statements requires the company to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses and the related disclosure of contingent assets and liabilities at the date of the financial statements. These financial statements include all normal and recurring adjustments necessary for a fair presentation. The accounts of most foreign subsidiaries are consolidated as of and for the quarter ended February 29, 2008, and February 28, 2007 and as of November 30, 2007. No events occurred related to these foreign subsidiaries during the months of March 2008, March 2007 or December 2007 that materially affected the financial position or results of operations of the company. The results for the interim periods presented are not necessarily indicative of the results expected for the year.

*New Accounting Pronouncements*

In September 2006, the Financial Accounting Standard Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 157, Fair Value Measurements (“FAS 157”), which defines fair value, establishes a framework for measuring fair value and expands disclosure requirements about fair value measurements. FAS 157 was effective beginning in Bard’s 2008 fiscal year, except for nonfinancial assets and liabilities measured at fair value on a non-recurring basis for which it will be effective at the beginning of Bard’s 2009 fiscal year. The impact of the adoption of FAS 157 was not material to the company’s condensed consolidated financial statements and the adoption of the items deferred until fiscal 2009 is not expected to be material.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (“FAS 141R”) and SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements (“FAS 160”). FAS141R requires an acquirer to measure the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at their fair value on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. FAS 160 clarifies that a noncontrolling interest in a subsidiary should be reported as equity in the consolidated financial statements. FAS 141R and FAS 160 will be effective as of the beginning of Bard’s 2009 fiscal year. The company is currently evaluating the impact of the adoption of FAS 141R and FAS 160.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133 (“FAS 161”), which requires enhanced disclosures about a company’s derivative and hedging activities. FAS 161 will be effective as of the beginning of Bard’s 2009 fiscal year. The company is currently evaluating the impact of the adoption of the enhanced disclosures required by FAS 161.

## C. R. BARD, INC. AND SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### 2. Acquisitions and Divestiture

##### *Business Acquisitions*

On March 10, 2008, the company announced that it had signed an agreement to acquire all the outstanding shares of Specialized Health Products International, Inc. (“Specialized Health Products”) for a purchase price of \$1.00 per share in cash, totaling approximately \$68.0 million. Specialized Health Products manufactures and markets vascular access products, including winged infusion sets, which are used to deliver therapeutic agents through vascular access ports. The acquisition represents a strategic addition to Bard’s port franchise. Following the requisite approval by Specialized Health Products shareholders, as well as the satisfaction of other closing conditions, the acquisition is expected to close in 2008.

On January 11, 2008, the company acquired the assets of the LifeStent® family of stents from Edwards Lifesciences Corporation for an initial cash payment of \$74.0 million, plus direct acquisition costs of \$3.6 million, and up to \$65.0 million in contingent milestone payments. The contingent milestone payments consist of \$50.0 million related to regulatory approvals and \$15.0 million related to the transfer of manufacturing operations to Bard. The acquisition represents a strategic addition to Bard’s portfolio of non-coronary stent and stent graft products that is complementary to the company’s current products, call points and technology platforms. The acquisition was accounted for as a business combination and the results of operations have been included in the company’s results since the acquisition date. The fair value of the assets acquired was approximately \$105.5 million. The difference between the fair value of the assets acquired and the initial payments was recognized as an acquisition related liability. This liability will be reduced upon the payment of the contingent milestone payments with the remaining amounts to be recorded as a deferred tax asset and goodwill.

The preliminary purchase price allocation resulted in the recognition of: core technologies of \$52.2 million; customer relationships of \$9.2 million; other assets of \$16.0 million consisting primarily of inventory and equipment; an acquisition related liability of \$27.9 million; and deferred tax liabilities of \$16.3 million. Core technologies and customer relationships will be amortized over the estimated useful lives of 15 and 8 years, respectively. In addition, \$44.4 million was allocated to purchased R&D, for which technological feasibility had not been established and no alternative future use existed at the acquisition date. The purchased R&D relates to the pre-market approval (“PMA”) submitted to the U.S. Food and Drug Administration for use of the LifeStent® products in the superficial femoral artery. The company recorded a charge for purchased R&D in research and development expense in its condensed consolidated statements of income. In connection with the write-off of purchased R&D, the company recorded a discrete tax benefit of \$16.4 million. The value assigned to purchased R&D was determined based upon the present value of expected future cash flows associated with the product adjusted for the probability of product approval and discounted at a risk-adjusted rate. The ongoing activity with respect to the future development for this product is not expected to be material to the company’s research and development expense. The final allocation of the purchase price is expected to be completed as soon as practicable but no later than 12 months after the acquisition date.

##### *Product Withdrawal*

The company withdrew from the synthetic bulking market and discontinued sales of the Tegress™ product effective January 31, 2007, and this withdrawal was accounted for as a discontinued operation.

**C. R. BARD, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Condensed financial information related to the discontinued operation are as follows for the three months ended March 31, 2007:

(dollars in millions)

Net sales	<u>\$ 0.3</u>
Income from operations	0.1
Income tax provision	<u>0.1</u>
Income on discontinued operations	<u>\$—</u>

**3. Earnings per Share**

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<u>2008</u>	<u>2007</u>
Average common shares outstanding	100,000	103,300
Dilutive share equivalents from share-based compensation plans	3,300	3,400
Average common and common equivalent shares outstanding—assuming dilution	<u>103,300</u>	<u>106,700</u>

**4. Income Taxes**

The company's effective tax rate for the quarter ended March 31, 2008 decreased to approximately 26% compared to approximately 29% for the same period in 2007. The decrease in the tax rate for the quarter ended March 31, 2008 was due to the discrete tax effect of purchased R&D charges primarily associated with the acquisition of the assets of the Lifestent® family of stents from Edwards Lifesciences.

As of March 31, 2008, the total amount of liability for unrecognized tax benefits was approximately \$57.8 million (of which \$53.5 million would impact the effective tax rate if recognized) plus approximately \$12.3 million of accrued interest. As of December 31, 2007, the corresponding liability for unrecognized tax benefits was approximately \$55.3 million plus approximately \$11.7 million of accrued interest.

The audit of the company's U.K. tax filing for the 2005 year concluded in the first quarter of 2008 with no adjustment by the tax authority.

**5. Financial Instruments**

*Derivative Instruments*

The company enters into readily marketable forward contracts with financial institutions to help reduce its exposure to fluctuations between certain currencies. These contracts limit volatility because gains and losses associated with exchange rate movements are generally offset by movements in the underlying hedged item.

The notional value and fair value of the company's forward currency contracts are as follows:

	<u>March 31, 2008</u>		<u>December 31, 2007</u>	
	<u>Notional Value</u>	<u>Fair Value</u>	<u>Notional Value</u>	<u>Fair Value</u>
(dollars in millions)				
Forward currency contracts	\$ 94.6	\$ (0.9)	\$126.5	\$ (0.8)

**C. R. BARD, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

A roll forward of the notional value of the company's forward currency contracts is as follows:

(dollars in millions)	
December 31, 2007 notional value	\$126.5
New contracts	0.8
Expired/cancelled contracts	(32.7)
March 31, 2008 notional value	<u>\$ 94.6</u>

At March 31, 2008, the fair value of forward currency contracts is recorded in either other current assets or accrued expenses in the condensed consolidated balance sheet. For the three months ended March 31, 2008, the company reclassified a loss of approximately \$0.4 million from accumulated other comprehensive income to other income, net and cost of goods sold in the condensed consolidated statement of income as hedged intercompany balances were settled and as anticipated currency needs arose. This reclassification was net of \$0.1 million of associated tax effects.

*Investments*

Cash equivalents are highly liquid investments purchased with original maturities of ninety days or less and amounted to \$402.0 million and \$458.0 million at March 31, 2008 and December 31, 2007, respectively.

Short-term investments are purchased with maturities of less than one year. The amortized cost, gross unrealized gains (losses) and fair value for short-term investments by security type are as follows:

(dollars in millions)	March 31, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
<b>Held-to-maturity:</b>				
Commercial paper	\$ —	\$ —	\$ —	\$ —
<b>Available-for-sale:</b>				
Corporate debt securities	33.2	0.1	—	33.3
<b>Total short-term investments</b>	<u>\$ 33.2</u>	<u>\$ 0.1</u>	<u>\$ —</u>	<u>\$ 33.3</u>
(dollars in millions)	December 31, 2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
<b>Held-to-maturity:</b>				
Commercial paper	\$ 10.0	\$ —	\$ —	\$ 10.0
<b>Available-for-sale:</b>				
Corporate debt securities	72.0	0.3	(0.1)	72.2
<b>Total short-term investments</b>	<u>\$ 82.0</u>	<u>\$ 0.3</u>	<u>\$ (0.1)</u>	<u>\$ 82.2</u>

There were no realized gains or losses on short-term investments reported in the three months ended March 31, 2008 and the year ended December 31, 2007.

**C. R. BARD, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Available-for-sale equity securities recorded in other assets was approximately \$2.1 million and \$2.5 million at March 31, 2008 and December 31, 2007, respectively.

*Fair Value of Financial Instruments*

The following table summarizes the basis used to measure financial instruments at fair value:

	<b>Balance at March 31, 2008</b>	<b>Quoted Prices in Active Markets for Identical Items</b>	<b>Significant Other Observable Inputs</b>
<i>(dollars in millions)</i>			
Short-term investments	\$ 33.3	\$ 33.3	\$ —
Equity securities	2.1	2.1	—
Forward currency contracts	(0.9)	—	(0.9)

The fair value of short-term investments and equity securities were measured using quoted prices in active markets for identical items and are valued using published market prices. The fair value of forward currency contracts were measured using significant other observable inputs and are valued by reference to similar financial instruments, adjusted for restrictions and other terms specific to that contract.

**6. Inventories**

The following is a summary of inventories:

	<b>March 31, 2008</b>	<b>December 31, 2007</b>
<i>(dollars in millions)</i>		
Finished goods	\$ 161.2	\$ 143.6
Work in process	27.7	21.9
Raw materials	81.3	79.2
<b>Total</b>	<b><u>\$ 270.2</u></b>	<b><u>\$ 244.7</u></b>

**7. Contingencies**

In the ordinary course of business, the company is subject to various legal proceedings and claims, including for example, product liability matters, environmental matters, employment disputes, disputes on agreements and other commercial disputes. In addition, the company operates in an industry susceptible to significant patent legal claims. At any given time, in the ordinary course of business, the company is involved as either a plaintiff or defendant in a number of patent infringement actions. If a third party's patent infringement claim were to be determined against the company, the company might be required to make significant royalty or other payments or might be subject to an injunction or other limitation on its ability to manufacture or distribute one or more products. If a patent owned by or licensed to the company were to be determined to be invalid or unenforceable, the company might be required to reduce the value of the patent on the company's balance sheet and to record a corresponding charge, which could be significant in amount.

The company is subject to numerous federal, state, local and foreign environmental protection laws governing, among other things, the generation, storage, use and transportation of hazardous materials and

## C. R. BARD, INC. AND SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

emissions or discharges into the ground, air or water. The company is or may become a party to proceedings brought under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), commonly known as Superfund, the Resource Conservation and Recovery Act, the Clean Water Act, the Clean Air Act and similar state laws. These proceedings seek to require the owners or operators of contaminated sites, transporters of hazardous materials to the sites and generators of hazardous materials disposed of at the sites to clean up the sites or to reimburse the government for cleanup costs. In most cases, there are other potentially responsible parties that may be liable for any remediation costs. In these cases, the government alleges that the defendants are jointly and severally liable for the cleanup costs; however, these proceedings are frequently resolved so that the allocation of cleanup costs among the parties more closely reflects the relative contributions of the parties to the site contamination. The company's potential liability varies greatly from site to site. For some sites, the potential liability is de minimis and for others the costs of cleanup have not yet been determined.

The company believes that the proceedings and claims described above will likely be resolved over an extended period of time. While it is not feasible to predict the outcome of these proceedings, based upon the company's experience, current information and applicable law, the company does not expect these proceedings to have a material adverse effect on its financial position or liquidity. However, one or more of the proceedings could be material to the company's business and results of operations for a future period.

On November 27, 2006, the company's Urological Division received a subpoena issued by the Department of Health and Human Services, Office of Inspector General, under the authority of the federal healthcare fraud and false claims statutes. The subpoena seeks documents related to the division's brachytherapy business. The company is cooperating with the government's request and is in the process of responding to the subpoena. At this stage of the inquiry, the likelihood of an adverse outcome cannot be assessed. The company cannot give any assurances that this matter will not have a material adverse impact on the company's results of operations in a future period.

As of April 25, 2008, approximately 655 federal and 1,050 state lawsuits involving individual claims by approximately 1,810 plaintiffs, as well as nine putative class actions, have been filed or asserted against the company with respect to its Composix® Kugel® product intended for ventral hernia repair (collectively, the "Composix Claims"). The company voluntarily recalled certain sizes and lots of the product beginning in December 2005. The actions generally seek damages for personal injury resulting from use of the product and the putative class actions, none of which has been certified, also seek (i) medical monitoring, (ii) compensatory damages, (iii) punitive damages, (iv) a judicial finding of defect and causation and/or (v) attorneys' fees. On June 22, 2007, the Judicial Panel on Multidistrict Litigation transferred Composix lawsuits pending in federal courts nationwide into one Multidistrict Litigation ("MDL") for coordinated pre-trial proceedings in the United States District Court for the District of Rhode Island. Approximately 1,030 of the state lawsuits, involving individual claims by approximately 1,045 plaintiffs, are pending in the Superior Court of the State of Rhode Island, with the remainder in various other jurisdictions. In March 2008, the Superior Court of the State of Rhode Island directed that certain lawsuits had improperly consolidated numerous plaintiffs and ordered the re-filing of complaints on behalf of those plaintiffs, resulting in an increase in the number of lawsuits but a decrease in the number of plaintiffs in lawsuits pending in that court.

The Composix Claims are at a preliminary stage. In the vast majority of these cases, we have not yet obtained and reviewed complete information regarding the plaintiffs and their medical conditions, and consequently, we are unable to fully evaluate the claims or determine the time frame in which they may be resolved. As in most litigation of this nature, the Composix Claims present a wide variety of claims, ranging from allegations of serious injury caused by the products to efforts to obtain compensation notwithstanding the absence of any injury. We believe that many settlements and judgments relating to the Composix Claims may be covered in whole or in part under our product liability insurance policies. While the company intends to

## C. R. BARD, INC. AND SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

vigorously defend the Composix Claims, it cannot give any assurances that the Composix Claims will not have a material adverse impact on the company's result of operations in future periods or the company's financial position or liquidity.

On February 21, 2007, Southeast Missouri Hospital filed a putative class action complaint on behalf of itself and all others similarly situated against the company and another manufacturer under the caption *Southeast Missouri Hospital, et al. v. C. R. Bard, Inc., et al.* (Civil Action No. 1:07-cv-00031, United States District Court, Eastern District of Missouri, Southeastern District). The complaint has been amended to add St. Francis Medical Center as an additional named plaintiff. Co-defendant Tyco International, Inc.'s motion to dismiss was granted and consequently Tyco is no longer a party to the action. The plaintiffs allege that the company conspired to exclude competitors from the market and that the company sought to maintain market share by engaging in conduct in violation of state and federal antitrust laws. The plaintiff seeks injunctive relief and money damages. Antitrust damages are subject to trebling. The company intends to defend this matter vigorously. At this time, it is not possible to assess the likelihood of an adverse outcome or determine an estimate, or a range of estimates, of potential damages. The company cannot give any assurances that this matter will not have a material adverse impact on the company's results of operations in a future period or the company's financial position or liquidity.

In December 2007, a U.S. District Court jury in Arizona found that certain of W.L. Gore & Associates Inc.'s ("Gore") ePTFE vascular grafts and stent-grafts infringe the company's patent number 6,436,135. The jury upheld the validity of the patent and awarded the company \$185 million in past damages. The jury also found that Gore willfully infringed the patent. In a second phase of the trial, the court is currently assessing Gore's assertion that the patent is unenforceable due to inequitable conduct. Because the company considers this matter a gain contingency, no amounts have been recorded as of March 31, 2008.

#### 8. Share-Based Compensation Plans

The company may grant a variety of share-based payments under the 2003 Long Term Incentive Plan of C. R. Bard, Inc. (the "2003 Plan") and the 2005 Directors' Stock Award Plan of C. R. Bard, Inc. (the "Directors' Plan") to certain directors, officers and employees. The total number of remaining shares at March 31, 2008 that may be issued under the 2003 Plan was 2,101,861 and under the Directors' Plan was 105,566. At the company's Annual Meeting of Shareholders on April 16, 2008, the shareholders authorized an additional 2,225,000 shares for issuance under the 2003 Plan. Awards under the 2003 Plan may be in the form of stock options, stock appreciation rights, limited stock appreciation rights, restricted stock, unrestricted stock and other stock-based awards. Awards under the Directors' Plan may be in the form of stock awards, stock options or stock appreciation rights. The company has two employee share purchase programs.

Amounts recognized for share-based compensation are as follows:

	Three Months Ended March 31,	
	2008	2007
(dollars in millions)		
Total cost of share-based compensation plans	\$ 10.4	\$ 12.1
Amounts capitalized in inventory and fixed assets	(0.3)	(0.4)
Amounts recognized in income for amounts previously capitalized in inventory and fixed assets	0.3	0.4
Amounts charged against income	\$ 10.4	\$ 12.1

**C. R. BARD, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

As of March 31, 2008, there was approximately \$71.2 million of unrecognized compensation costs related to share-based payment arrangements. These costs are expected to be recognized over a weighted-average period of approximately 3 years. The company repurchases shares, from time to time, on the open market to satisfy share-based payment arrangements. The company has sufficient treasury shares to satisfy expected share-based payment arrangements for the remainder of the year.

**9. Pension and Other Postretirement Benefit Plans**

*Defined Benefit Pension Plans* - The company has both tax-qualified and nonqualified, noncontributory defined benefit pension plans that together cover substantially all domestic and certain foreign employees. These plans provide benefits based upon a participant's compensation and years of service. The components of net periodic benefit expense for the three months ended March 31 are as follows:

	2008			2007		
	Tax Qualified Plans	Nonqualified Plans	Total	Tax Qualified Plans	Nonqualified Plans	Total
(dollars in millions)						
Service cost net of employee contributions	\$ 4.0	\$ 0.7	\$ 4.7	\$ 3.8	\$ 0.6	\$ 4.4
Interest cost	3.7	0.7	4.4	3.2	0.5	3.7
Expected return on plan assets	(5.0)	—	(5.0)	(4.3)	—	(4.3)
Amortization	0.9	—	0.9	1.3	0.1	1.4
Net periodic pension expense	<u>\$ 3.6</u>	<u>\$ 1.4</u>	<u>\$ 5.0</u>	<u>\$ 4.0</u>	<u>\$ 1.2</u>	<u>\$ 5.2</u>

*Other Postretirement Benefit Plans* - The company does not provide subsidized postretirement healthcare benefits and life insurance coverage except to a limited number of former employees. As this plan is unfunded, contributions are made as benefits are incurred. The net periodic benefit expense was \$0.3 million for each of the three months ended March 31, 2008 and 2007, respectively.

*Employer Contributions to Defined Benefit Plans* - For the three months ended March 31, 2008 and 2007, the company made no required or voluntary contributions to its U.S. tax-qualified plan. For the three months ended March 31, 2008 and 2007, the company made voluntary contributions of \$0.4 million and \$4.6 million to the company's non-U.S. tax-qualified plans, respectively.

**C. R. BARD, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**10. Segment Information**

The company's management considers its business to be a single segment entity—the manufacture and sale of medical devices. The company's products generally share similar distribution channels and customers. The company designs, manufactures, packages, distributes and sells medical, surgical, diagnostic and patient care devices that are purchased by hospitals, physicians and nursing homes, many of which are used once and discarded. The company's chief operating decision makers evaluate their various global product portfolios on a net sales basis. The company's chief operating decision makers generally evaluate profitability and associated investment on an enterprise-wide basis due to shared infrastructures. The following table represents net sales by geographic region based on the location of the external customer:

	<b>Three Months Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
(dollars in millions)		
United States	\$399.2	\$373.9
Europe	117.1	94.6
Japan	28.0	26.4
Rest of world	39.7	33.3
Total net sales	<u>\$584.0</u>	<u>\$528.2</u>
Income from continuing operations before income taxes	<u>\$104.8</u>	<u>\$142.4</u>
Long-lived assets	<u>\$421.9</u>	<u>\$403.5</u>
Capital expenditures	<u>\$ 10.4</u>	<u>\$ 13.8</u>
Depreciation	<u>\$ 12.5</u>	<u>\$ 11.8</u>
Amortization	<u>\$ 9.4</u>	<u>\$ 7.0</u>

The following table represents net sales by disease state management:

	<b>Three Months Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
(dollars in millions)		
Vascular	\$150.4	\$127.7
Urology	168.7	155.2
Oncology	150.0	127.8
Surgical Specialties	93.0	97.1
Other products	21.9	20.4
Total net sales	<u>\$584.0</u>	<u>\$528.2</u>

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

### **Executive Overview**

The company designs, manufactures, packages, distributes and sells medical, surgical, diagnostic and patient care devices. The company sells a broad, diversified portfolio of products to hospitals, individual healthcare professionals, extended care health facilities and alternate site facilities in the United States and abroad, principally in Europe and Japan. In general, the company's products are intended to be used once and then discarded or implanted either temporarily or permanently. The company reports sales in four major product group categories: vascular, urology, oncology and surgical specialties. The company also has a product group of other products.

The company's earnings are driven by its ability to continue to generate sales of its products and improve operating efficiency. Bard's ability to increase sales over time depends upon its success in developing, acquiring and marketing innovative and differentiated products that meet the needs of clinicians and their patients. For the three months ended March 31, 2008, the company spent \$85.8 million on research and development ("R&D"), including purchased R&D. The company expects R&D spending, excluding purchased R&D, to continue to increase in the future. The company also makes selective acquisitions of businesses, products and technologies, generally focusing on small to medium sized transactions to provide ongoing growth opportunities. In addition, the company may from time to time consider acquisitions of larger, established companies under appropriate circumstances. The company may also periodically divest lines of business in which it is not able to reasonably attain or maintain a leadership position or for other strategic reasons.

### **Recent Developments**

On March 10, 2008, the company announced that it had signed an agreement to acquire all the outstanding shares of Specialized Health Products International, Inc. ("Specialized Health Products") for a purchase price of \$1.00 per share in cash, totaling approximately \$68.0 million. Specialized Health Products manufactures and markets vascular access products, including winged infusion sets, which are used to deliver therapeutic agents through vascular access ports. The acquisition represents a strategic addition to Bard's port franchise. Following the requisite approval by Specialized Health Products shareholders, as well as the satisfaction of other closing conditions, the acquisition is expected to close in 2008.

On January 11, 2008, the company acquired the assets of the LifeStent® family of stents from Edwards Lifesciences Corporation ("Edwards Lifesciences") for an initial cash payment of \$74.0 million, plus direct acquisition costs of \$3.6 million, and up to \$65.0 million in contingent milestone payments. The acquisition represents a strategic addition to Bard's portfolio of non-coronary stent and stent graft products that is complementary to our current products, call points and technology platforms. See Note 2 of the Notes to Condensed Consolidated Financial Statements.

## Results of Operations

### Net Sales

The company's revenues are generated from sales of the company's products, net of discounts, returns, rebates and other allowances. Bard reported consolidated net sales for the quarter ended March 31, 2008 of \$584.0 million, an increase of 11% on a reported basis (8% on a constant currency basis) over the quarter ended March 31, 2007 consolidated net sales of \$528.2 million. Net sales "on a constant currency basis" is a non-GAAP financial measure and should not be viewed as a replacement of GAAP results. See "Management's Use of Non-GAAP Measures" below.

The geographic breakdown of net sales by the location of the third-party customer for the quarters ended March 31, 2008 and 2007, respectively, is set forth below.

	Quarter Ended March 31,	
	2008	2007
United States	68%	71%
Europe	20%	18%
Japan	5%	5%
Rest of world	7%	6%
Total net sales	<u>100%</u>	<u>100%</u>

Price changes had the effect of decreasing consolidated net sales for the quarter ended March 31, 2008 by 0.3% compared to the same period in the prior year. Exchange rate fluctuations had the effect of increasing consolidated net sales for the quarter ended March 31, 2008 by approximately 3% as compared to the same period in the prior year. The primary exchange rate movement that impacts net sales is the movement of the Euro compared to the U.S. dollar. The impact of exchange rate movements on net sales is not indicative of the impact on net earnings due to the offsetting impact of exchange rate movements on operating costs and expenses, costs incurred in other currencies and the company's hedging activities.

U.S. net sales in the quarter ended March 31, 2008 of \$399.2 million increased 7% over U.S. net sales of \$373.9 million in the quarter ended March 31, 2007. International net sales in the quarter ended March 31, 2008 of \$184.8 million increased 20% on a reported basis (11% on a constant currency basis) over international net sales of \$154.3 million in the quarter ended March 31, 2007.

Presented below is a discussion of consolidated net sales by disease state for the quarters ended March 31, 2008 and 2007, respectively:

### Product Group Summary of Net Sales

(dollars in millions)	For the Quarter Ended March 31,			Constant Currency
	2008	2007	Change	
Vascular	\$150.4	\$127.7	18%	13%
Urology	168.7	155.2	9%	7%
Oncology	150.0	127.8	17%	15%
Surgical Specialties	93.0	97.1	(4)%	(6)%
Other	21.9	20.4	7%	6%
Total net sales	<u>\$584.0</u>	<u>\$528.2</u>	<u>11%</u>	<u>8%</u>

**Vascular Products** - Bard markets a wide range of products for the peripheral vascular market, including endovascular products, electrophysiology products and surgical graft products. Consolidated net sales for the quarter ended March 31, 2008 of vascular products increased 18% on a reported basis (13% on a constant currency basis) compared to the prior year quarter. U.S. net sales for the quarter ended March 31, 2008 of vascular products grew 7% compared to the prior year quarter. International net sales for the quarter ended March 31, 2008 increased 32% on a reported basis (21% on a constant currency basis) compared to the prior year quarter. The vascular group is the company's most global business, with international net sales comprising 47% and 42% of consolidated net sales of vascular products for the quarter ended March 31, 2008 and 2007, respectively.

Consolidated net sales for the quarter ended March 31, 2008 of endovascular products increased 22% on a reported basis (17% on a constant currency basis) compared to the prior year quarter. The company's percutaneous transluminal angioplasty balloon catheters, vena cava filters, stents, including the LifeStent® family of stents, and biopsy products contributed to the growth in this category.

Consolidated net sales for the quarter ended March 31, 2008 of electrophysiology products increased 27% on a reported basis (21% on a constant currency basis) compared to the prior year quarter. Sales growth in the quarter ended March 31, 2008 was affected by an increase in sales of electrophysiology laboratory systems, which can fluctuate significantly due to the timing of capital equipment purchases by hospitals.

Consolidated net sales for the quarter ended March 31, 2008 of surgical graft products decreased 4% on a reported basis (8% on a constant currency basis) compared to the prior year quarter.

**Urology Products** - Bard markets a wide range of products for the urology market, including basic drainage products, continence products and urological specialty products. Bard also markets the StatLock® stabilization device products, which are used to secure many types of catheters sold by Bard and other companies. Consolidated net sales for the quarter ended March 31, 2008 of urology products increased 9% on a reported basis (7% on a constant currency basis) compared to the prior year quarter. U.S. net sales of urology products for the quarter ended March 31, 2008 grew 9% compared to the prior year quarter. International net sales for the quarter ended March 31, 2008 of urology products increased 7% on a reported basis (2% on a constant currency basis) compared to the prior year quarter.

Basic drainage products represent the core of the company's urology business. Consolidated net sales for the quarter ended March 31, 2008 of basic drainage products increased 8% on a reported basis (7% on a constant currency basis) compared to the prior year quarter. Consolidated net sales for the quarter ended March 31, 2008 of infection control Foley catheter products grew 14% on both a reported basis and constant currency basis compared to the prior year quarter.

Consolidated net sales for the quarter ended March 31, 2008 of urological specialty products, which include brachytherapy products and services, decreased 3% on a reported basis (6% on a constant currency basis) compared to the prior year quarter. The decrease in sales of urological specialty products was primarily driven by a decline in brachytherapy sales. The company believes that the brachytherapy market has been losing procedural share to alternative therapies, a trend that may continue.

Consolidated net sales for the quarter ended March 31, 2008 of continence products increased 10% on a reported basis (8% on a constant currency basis) compared to the prior year quarter. The company's pelvic floor reconstruction product line and surgical slings were the primary growth drivers in the continence category for the quarter ended March 31, 2008.

Consolidated net sales for the quarter ended March 31, 2008 of the Statlock® stabilization device product line increased 38% on a reported basis (37% on a constant currency basis) compared to the prior year quarter.

In December 2007, the company expanded its infection control franchise with the launch of the Agento<sup>®</sup> I.C.<sup>™</sup> infection control endotracheal tube for the prevention of ventilator associated pneumonia. The launch of the Agento<sup>®</sup> I.C.<sup>™</sup> did not have a significant impact on net sales for the quarter ended March 31, 2008.

**Oncology Products** - The company's oncology products include specialty access products used primarily for chemotherapy. Consolidated net sales for the quarter ended March 31, 2008 of oncology products grew 17% on a reported basis (15% on a constant currency basis) compared to the prior year quarter. U.S. net sales represented 76% of consolidated net sales of oncology products for the quarter ended March 31, 2008 and grew 18% compared to the prior year quarter. International net sales for the quarter ended March 31, 2008 of oncology products grew 17% on a reported basis (8% on a constant currency basis) compared to the prior year quarter. The company's specialty access ports, peripherally inserted central catheters ("PICCs") and vascular access ultrasound devices were the primary contributors to the growth in the oncology category for the quarter ended March 31, 2008.

**Surgical Specialty Products** - Surgical specialty products include soft tissue repair, performance irrigation and hemostasis product lines. Consolidated net sales for the quarter ended March 31, 2008 of surgical specialty products decreased 4% on a reported basis (6% on a constant currency basis) compared to the prior year quarter. U.S. net sales for the quarter ended March 31, 2008 of surgical specialty products decreased 11% compared to the prior year quarter. International net sales for the quarter ended March 31, 2008 of surgical specialty products increased 19% on a reported basis (10% on a constant currency basis) compared to the prior year quarter.

Consolidated net sales for the quarter ended March 31, 2008 of the company's soft tissue repair product line, which includes core hernia repair and hernia fixation products, decreased 3% on a reported basis (5% on a constant currency basis) compared to the prior year quarter due primarily to: (i) a temporary hold on the manufacture of the company's Salute II hernia fixation device due to product component issues; and (ii) no growth in sales of the company's core hernia repair products. These product component issues may impact consolidated net sales of the fixation product line in future quarters. The trend in the soft tissue repair product line may continue.

On December 29, 2005, the company initiated a voluntary Class I product recall of its Bard<sup>®</sup> Composix<sup>®</sup> Kugel<sup>®</sup> Mesh X-Large Patch intended for ventral hernia repair. Following the recall, the U.S. Food and Drug Administration ("FDA") conducted an inspection and issued a Form-483 notice to the company's Davol, Inc. subsidiary identifying certain observations. The company has addressed these observations.

On March 15, 2006, the company voluntarily expanded the December 2005 recall to include certain manufacturing lots of the large Composix<sup>®</sup> Kugel<sup>®</sup> patch and large Composix<sup>®</sup> circle. In December 2006, the company decided to voluntarily expand the March 2006 recall to include additional manufacturing lots and initiated the expanded recall on January 10, 2007.

Following the expanded recall, the FDA conducted a follow-up inspection and issued a Form-483 notice to Davol identifying certain observations regarding Davol's quality systems. The company has responded and is in the process of addressing these observations. On April 25, 2007, Davol received a Warning Letter from the New England District Office of the FDA resulting from the follow-up inspection. The Warning Letter relates specifically to non-conformances in Davol's quality systems previously identified in the related Form-483 notice. The Warning Letter states that, until Davol resolves the outstanding issues covered by the Warning Letter, no premarket submissions for Class III devices to which the non-conformances are reasonably related will be cleared or approved. Davol presently has no such submissions before the FDA. The company has responded to all observations in the Warning Letter and intends to fully implement corrective actions to address the FDA's concerns. The company has met with FDA representatives to advise them of the progress being made in addressing observations in the Warning Letter and has proposed a re-inspection of the Davol facility which the company expects to occur in the second half of 2008. The company cannot, however, give any assurances that the FDA will be satisfied with its response to the Warning Letter or as to the expected date of resolution of matters included in the Warning Letter.

On February 13, 2008, the FDA issued a Form-483 notice to the company in connection with an inspection of the company's manufacturing facility located in Humacao, Puerto Rico. The Form-483 notice identified certain observations regarding the facility's quality system. The facility manufactures products for many of the company's divisions and subsidiaries, including soft tissue repair products for the company's Davol subsidiary. The company has responded to the FDA and is in the process of addressing these observations. The company cannot give any assurances that the FDA will be satisfied with its response to the Form-483 notice or as to the expected date of resolution of matters included in the Form-483 notice.

**Other Products** - The other product group includes irrigation, wound drainage and certain original equipment manufacturers' products. Consolidated net sales of other products for the quarter ended March 31, 2008 were \$21.9 million, an increase of 7% on a reported basis (6% on a constant currency basis) compared to the prior year quarter.

### Costs and Expenses

The following is a summary of major costs and expenses as a percentage of net sales for the quarter ended March 31, 2008 and 2007, respectively:

	Quarter Ended March 31,	
	2008	2007
Cost of goods sold	38.6 %	39.1 %
Marketing, selling and administrative expense	28.9 %	29.1 %
Research and development expense	14.7 %	5.7 %
Interest expense	0.5 %	0.5 %
Other income, net	(0.7)%	(1.4)%
Total costs and expenses	<u>82.0 %</u>	<u>73.0 %</u>

**Cost of goods sold** - Cost of goods sold consist principally of the manufacturing and distribution costs of the company's products as well as royalties and the amortization of intangible assets. The company's cost of goods sold as a percentage of net sales for the quarter ended March 31, 2008 was 38.6%, a decrease of 50 basis points compared to the prior year quarter. The impact of incremental amortization of intangible assets, acquired in the past 12 months, increased cost of goods sold over the prior year quarter by approximately 40 basis points. Reductions in cost of goods sold were attributed primarily to cost improvements.

**Marketing, selling and administrative expense** - Marketing, selling and administrative expense consists principally of the costs associated with the company's sales and administrative organizations. The company's marketing, selling and administrative costs as a percentage of net sales for the quarter ended March 31, 2008 was 28.9%, a decrease of 20 basis points compared to the prior year quarter.

**Research and development expense** - Research and development expenses are comprised of expenses related to internal research and development activities, milestone payments for third-party research and development activities and purchased R&D costs arising from the company's business development activities. Purchased R&D payments may impact the comparability of the company's results of operations between periods. The components of internal research and development expenses include: salary and benefits, allocated overhead and occupancy costs, clinical trial and related clinical manufacturing costs, contract services and milestone payments for third-party research and development. All research and development costs are expensed as incurred. For the quarter ended March 31, 2008, the company spent approximately \$85.8 million on research and development activities compared to \$30.1 million in the prior year quarter. Included in the research and development costs for the quarter ended March 31, 2008 was purchased R&D of approximately \$49.3 million primarily associated with the acquisition of the LifeStent® family of stents from Edwards Lifesciences.

**Interest expense** - Interest expense for the quarter ended March 31, 2008 was \$3.0 million compared to the \$2.9 million compared to the prior year quarter.

**Other income, net** - The table below presents the components of other income, net for the quarter ended March 31, 2008 and 2007, respectively:

(dollars in millions)	Quarter Ended March 31,	
	2008	2007
Interest income	\$ (5.6)	\$ (7.1)
Foreign exchange (gains) losses	1.0	(0.2)
Other, net	0.6	(0.1)
Total other income, net	<u>\$ (4.0)</u>	<u>\$ (7.4)</u>

*Interest income* - For the quarter ended March 31, 2008, interest income was approximately \$5.6 million, compared to approximately \$7.1 million for the prior year quarter. The decrease in 2008 was primarily due to lower balances of cash and cash equivalents and lower interest rates.

### **Income tax provision**

The company's effective tax rate for the quarter ended March 31, 2008 decreased to approximately 26% compared to approximately 29% for the same period in 2007. The decrease in the tax rate for the quarter ended March 31, 2008 was due to the discrete tax effect of the purchased R&D charges primarily associated with the acquisition of the assets of the Lifestent® family of stents from Edwards Lifesciences.

### **Net Income and Earnings Per Share**

Net income and diluted earnings per share for the first quarter of 2008 was \$78.0 million and \$0.76, respectively. Net income and diluted earnings per share for the prior year quarter was \$101.6 million and \$0.95, respectively. The current year period reflects after-tax purchased R&D charges of \$31.1 million or \$0.30 per share, primarily associated with the acquisition of the assets of the Lifestent® family of stents from Edwards Lifesciences.

## Liquidity and Capital Resources from Continuing Operations

The company assesses its liquidity in terms of its ability to generate cash to fund its operating, investing and financing activities. Significant factors affecting the management of liquidity are: cash flows generated from operating activities, capital expenditures, investments in businesses and technologies, cash dividends and common stock repurchases. Cash provided from operations continues to be the company's primary source of funds. Should it be necessary, the company believes it could borrow adequate funds at competitive terms. The company believes that its overall financial strength gives the company sufficient financing flexibility. The table below summarizes certain liquidity measures for Bard as of March 31, 2008 and 2007, respectively:

(dollars in millions)	<u>2008</u>	<u>2007</u>
Working capital	<u>\$ 879.2</u>	<u>\$1,026.1</u>
Current ratio	<u>3.99/1</u>	<u>5.39/1</u>

*Operating activities from continuing operations* - For the three months ended March 31, 2008, the company generated \$106.6 million in cash flow from continuing operations, \$37.3 million less than the \$143.9 million generated in the prior year period. The change in current liabilities of \$25.3 million reflected decreases in accrued expenses and income taxes payable.

*Investing activities from continuing operations* - For the three months ended March 31, 2008, the company used \$45.2 million in cash for investing activities from continuing operations, \$1.6 million more than the \$43.6 million used in the prior year period. In January 2008, the company paid \$75.7 million including \$1.7 million of the direct acquisition costs in connection with the acquisition of the assets of the LifeStent® family of stents from Edwards Lifesciences. Net cash provided by the change in short-term investments, net in the quarter was \$48.9 million compared with net cash used of \$22.2 million in the prior year period. Capital expenditures were approximately \$10.4 million and \$13.8 million for the three months ended March 31, 2008 and 2007, respectively.

*Financing activities from continuing operations* - For the three months ended March 31, 2008, the company used \$135.9 million in cash for financing activities from continuing operations, \$137.8 million more than the \$1.9 million provided in the prior year period. Total debt was \$149.8 million and \$150.6 million at March 31, 2008 and 2007, respectively. Total debt to total capitalization was 7.6% at both March 31, 2008 and 2007. The company spent approximately \$158.3 million to repurchase 1,632,000 shares of common stock for the three months ended March 31, 2008. The company did not repurchase shares of common stock for the three months ended March 31, 2007. At March 31, 2008, a total of \$206.7 million remained under the company's \$500 million share repurchase authorization approved by the Board of Directors in 2007. The company paid cash dividends of \$0.15 per share and \$0.14 per share for the three months ended March 31, 2008 and 2007, respectively.

The company maintains a domestic syndicated bank credit facility with a \$400 million five-year credit agreement that expires in June 2012. The credit facility supports the company's commercial paper program and can be used for general corporate purposes. The facility includes pricing based on the company's long-term credit rating and includes a financial covenant that limits the amount of total debt to total capitalization. There were no outstanding borrowings or commercial paper borrowings at March 31, 2008 and December 31, 2007. In addition, a wholly owned foreign subsidiary of the company maintains a \$250 million syndicated bank credit facility to be used for general corporate needs. Loans under the facility bear interest at the company's option at a fixed spread to LIBOR or the higher of prime rate and 0.50% over the federal funds rate. The facility expires in October 2008. There were no outstanding borrowings under the facility at March 31, 2008 and December 31, 2007.

**Contingencies**

In the ordinary course of business, the company is subject to various legal proceedings and claims, including product liability matters, environmental matters, employment disputes, disputes on agreements and other commercial disputes. In addition, the company operates in an industry susceptible to significant patent legal claims. At any given time in the ordinary course of business, the company is involved as either a plaintiff or defendant in a number of patent infringement actions. See Note 7 of the Notes to Condensed Consolidated Financial Statements.

**Management's Use of Non-GAAP Measures**

Net sales "on a constant currency basis" is a non-GAAP financial measure. The company analyzes net sales on a constant currency basis to better measure the comparability of results between periods. Because changes in foreign currency exchange rates have a non-operating impact on net sales, the company believes that evaluating growth in net sales on a constant currency basis provides an additional and meaningful assessment of net sales to both management and the company's investors. Constant currency growth rates are calculated by translating the prior year's local currency sales by the current period's exchange rate. Constant currency growth rates are not indicative of changes in corresponding cash flows. The limitation of non-GAAP measures is that they do not reflect results on a standardized reporting basis. Non-GAAP financial measures are intended to supplement the applicable GAAP disclosures and should not be viewed as a replacement of GAAP results.

**Critical Accounting Policies**

The preparation of financial statements requires the company's management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Critical accounting policies are those that require application of management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Such policies are summarized in the Management's Discussion and Analysis of Financial Condition and Results of Operations section in the company's 2007 Annual Report on Form 10-K. There have been no significant changes to the company's critical accounting policies since December 31, 2007.

## **Risks and Uncertainties; Cautionary Statement Regarding Forward-Looking Information**

Certain statements contained herein or in other company documents and certain statements that may be made by management of the company orally may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. You can identify these statements by the fact that they do not relate strictly to historic or current facts. They use words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “forecast,” “plan,” “believe” and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to product approvals, future performance of current and anticipated products, sales efforts, expenses, the outcome of contingencies, such as legal proceedings, and financial results. The company’s forward-looking statements speak only as of the date of this report or as of the date they are made, and the company undertakes no obligation to update its forward-looking statements.

In addition, there are substantial risks inherent in the medical device business. The company’s business involves the design, development, manufacture, packaging, distribution and sale of life-sustaining medical devices. These devices are often utilized on, or permanently or temporarily implanted in, patients in clinically demanding circumstances, such as operating rooms, emergency units, intensive care and critical care settings, among others. These circumstances, among other factors, can cause the products to become associated with adverse clinical events, including patient mortality and injury, and could lead to product liability claims (including lawsuits seeking class action status or seeking to establish multi-district litigation proceedings) and other litigation, product withdrawals, Warning Letters, recalls, field corrections or regulatory enforcement actions relating to one or more of the company’s products, any of which could have a material adverse effect on our business, financial position, liquidity and results of operations. For further discussion of risks applicable to our business, see “Risk Factors” in the company’s 2007 Annual Report on Form 10-K.

Because actual results are affected by these and other risks and uncertainties, the company cautions investors that actual results may differ materially from those expressed or implied. It is not possible to predict or identify all risks and uncertainties, but the most significant factors, in addition to those addressed above, that could adversely affect our business or cause the actual results to differ materially from those expressed or implied include, but are not limited to:

### **Effective management of and reaction to risks involved in our business, including:**

- the ability to achieve manufacturing or administrative efficiencies, including gross margin benefits from our manufacturing process and supply chain programs or in connection with the integration of acquired businesses;
- the effects of negative publicity concerning our products, which could result in product withdrawals or decreased product demand and which could reduce market or governmental acceptance of our products;
- the ability to identify appropriate companies, businesses and technologies as potential acquisition candidates, to consummate and integrate such transactions or to obtain agreements for such transactions with favorable terms;
- the reduction in the number of procedures using our devices caused by customers’ cost-containment pressures or preferences for alternate therapies;
- the ability to maintain or increase research and development expenditures;
- the uncertainty of whether increased research and development expenditures and sales force expansion will result in increased sales;
- the ability to maintain our effective tax rate and uncertainty related to tax audits, appeals and litigation;

- the risk that the company may not successfully implement its new Enterprise Resource Planning (“ERP”) information system, which could adversely affect the company’s results of operations in future periods and/or its ability to meet the ongoing requirements of Section 404 of the Sarbanes-Oxley Act of 2002;
- internal factors, such as retention of key employees, including sales force employees;
- the ability to achieve earnings forecasts, which are generated based, among other things, on projected volumes and sales of many product types, some of which are more profitable than others;
- changes in factors and assumptions employed in the application of FAS 123R, Share-Based Payment, or actual results that differ from our assumptions on stock valuation and employee stock option exercise patterns, which could cause compensation expense recorded in future periods to differ significantly from the compensation expense recorded in the current period and, as a result, materially impact the company’s results of operations;
- damage to any company facility, which could render the company unable to manufacture one or more products (as the company may utilize only one manufacturing facility for certain of its major products) and may require the company to reduce the output of products at the damaged facility thereby making it difficult to meet product shipping targets;
- the potential impairment of goodwill and intangible assets of the company resulting from insufficient cash flow generated from such assets specifically, or our business more broadly, so as to not allow the company to justify the carrying value of the assets; and
- the ability to obtain appropriate levels of product liability insurance on reasonable terms.

**Competitive factors, including:**

- the trend of consolidation in the medical device industry as well as among our customers, resulting in potentially greater pricing pressures and more significant and complex contracts than in the past, both in the United States and abroad;
- development of new products or technologies by competitors having superior performance compared to our current products or products under development which could negatively impact sales of our products or render one or more of our products obsolete;
- technological advances, patents and registrations obtained by competitors that would have the effect of excluding the company from new market segments or preventing the company from selling a product or including key features in the company’s products;
- attempts by competitors to gain market share through aggressive marketing programs; and
- reprocessing by third-party reproducers of our products designed and labeled for single use.

**Difficulties and delays inherent in the development, manufacturing, marketing and sale of medical products, including:**

- the ability to complete planned clinical trials successfully, to develop and obtain regulatory approval for products on a timely basis and to launch products on a timely basis within cost estimates;
- lengthy and costly regulatory approval processes, which may result in lost market opportunities;
- delays or denials of, or grants of low or reduced levels of reimbursement for, procedures using newly developed products;
- the suspension or revocation of authority to manufacture, market or distribute existing products;
- the imposition of additional or different regulatory requirements, such as those affecting manufacturing and labeling;

- performance, efficacy or safety concerns for existing products, whether scientifically justified or not, that may lead to product withdrawals, recalls, field corrections, regulatory enforcement actions, litigation or declining sales, including adverse events relating to the company's vena cava filters and hernia repair products;
- FDA inspections resulting in Form-483 notices and/or Warning Letters identifying deficiencies in the company's current good manufacturing practices and/or quality systems; Warning Letters identifying violations of FDA regulations that could result in product holds, recalls, restrictions on future clearances by the FDA and/or civil penalties;
- the failure to obtain, limitations on the use of, or the loss of, patent and other intellectual property rights, and the failure of efforts to protect our intellectual property rights against infringement and legal challenges that can increase our costs;
- difficulties obtaining necessary components or raw materials used in the company's products and/or price increases from the company's suppliers of critical components or raw materials or other interruptions of the supply chain; and
- customers that may limit the number of manufacturers or vendors from which they will purchase products, which can result in the company's inability to sell products to or contract with large hospital systems, integrated delivery networks or group purchasing organizations.

**Governmental action, including:**

- the impact of continued healthcare cost containment;
- new laws and judicial decisions related to health care availability, payment for healthcare products and services or the marketing and distribution of products, including legislative or administrative reforms to the United States Medicare and Medicaid systems or other United States or international reimbursement systems in a manner that would significantly reduce or eliminate reimbursements for procedures that use the company's products;
- changes in the FDA and/or foreign regulatory approval processes that may delay or prevent the approval of new products and result in lost market opportunity;
- the impact of more vigorous compliance and enforcement activities affecting the healthcare industry in general or the company in particular;
- changes in the tax or environmental laws or standards affecting our business;
- changes in laws that could require facility upgrades or process changes and could affect production rates and output; and
- compliance costs and potential penalties and remediation obligations in connection with environmental laws, including regulations regarding air emissions, waste water discharges and solid waste.

**Legal disputes, including:**

- disputes over intellectual property rights;
- product liability claims, including lawsuits seeking class action status or seeking to establish multi-district litigation proceedings, including with respect to our Composix Kugel product;
- claims asserting securities law violations;
- claims asserting, and/or subpoenas seeking information regarding, violations of law in connection with federal and/or state healthcare programs such as Medicare or Medicaid;
- derivative shareholder actions;

- claims and subpoenas asserting antitrust violations;
- environmental claims, including risks relating to accidental contamination or injury from the use of hazardous materials in the company's manufacturing, sterilization and research activities and the potential for the company to be held liable for any resulting damages; and
- commercial disputes, including disputes over distribution agreements, license agreements, manufacturing/supply agreements, development/research agreements and acquisition or sale agreements.

**General economic conditions, including:**

- international and domestic business conditions;
- political or economic instability in foreign countries;
- interest rates;
- foreign currency exchange rates; and
- changes in the rate of inflation.

**Other factors beyond our control, including catastrophes, both natural and man-made, earthquakes, floods, fires, explosions, acts of terrorism or war.**

***Item 3. Quantitative and Qualitative Disclosures About Market Risk***

The quantitative and qualitative disclosures about market risk are discussed in Item 7A in the company's 2007 Annual Report on Form 10-K. There have been no material changes in information reported since the year ended December 31, 2007.

***Item 4. Controls and Procedures***

The company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the company's reports under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosures. Any controls and procedures, no matter how well defined and operated, can provide only reasonable assurance of achieving the desired control objectives.

The company's management, with the participation of the company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the company's disclosure controls and procedures as of March 31, 2008. Based upon that evaluation, the company's Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2008, the design and operation of the company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) provide reasonable assurance that the disclosure controls and procedures are effective to accomplish their objectives.

The company is in the process of implementing a new ERP information system to manage its business operations. Although the transition has proceeded to date without material adverse effects, the possibility exists that our migration to the new ERP information system could adversely affect the company's controls and procedures. The process of implementing new information systems could adversely impact our ability to do the following in a timely manner: accept and process customer orders, receive inventory and ship products, invoice and collect receivables, place purchase orders and pay invoices and perform all other business transactions related to the accounting, order entry, purchasing and supply chain processes within the ERP system.

## PART II – OTHER INFORMATION

### *Item 1. Legal Proceedings*

In the ordinary course of business, the company is subject to various legal proceedings and claims, including for example, product liability matters, environmental matters, employment disputes, disputes on agreements and other commercial disputes. In addition, the company operates in an industry susceptible to significant patent legal claims. At any given time, in the ordinary course of business, the company is involved as either a plaintiff or defendant in a number of patent infringement actions. If a third party's patent infringement claim were to be determined against the company, the company might be required to make significant royalty or other payments or might be subject to an injunction or other limitation on its ability to manufacture or distribute one or more products. If a patent owned by or licensed to the company were to be determined to be invalid or unenforceable, the company might be required to reduce the value of the patent on the company's balance sheet and to record a corresponding charge, which could be significant in amount.

The company is subject to numerous federal, state, local and foreign environmental protection laws governing, among other things, the generation, storage, use and transportation of hazardous materials and emissions or discharges into the ground, air or water. The company is or may become a party to proceedings brought under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), commonly known as Superfund, the Resource Conservation and Recovery Act, the Clean Water Act, the Clean Air Act and similar state laws. These proceedings seek to require the owners or operators of contaminated sites, transporters of hazardous materials to the sites and generators of hazardous materials disposed of at the sites to clean up the sites or to reimburse the government for cleanup costs. In most cases, there are other potentially responsible parties that may be liable for any remediation costs. In these cases, the government alleges that the defendants are jointly and severally liable for the cleanup costs; however, these proceedings are frequently resolved so that the allocation of cleanup costs among the parties more closely reflects the relative contributions of the parties to the site contamination. The company's potential liability varies greatly from site to site. For some sites, the potential liability is de minimis and for others the costs of cleanup have not yet been determined.

The company believes that the proceedings and claims described above will likely be resolved over an extended period of time. While it is not feasible to predict the outcome of these proceedings, based upon the company's experience, current information and applicable law, the company does not expect these proceedings to have a material adverse effect on its financial position or liquidity. However, one or more of the proceedings could be material to the company's business and results of operations for a future period.

On November 27, 2006, the company's Urological Division received a subpoena issued by the Department of Health and Human Services, Office of Inspector General, under the authority of the federal healthcare fraud and false claims statutes. The subpoena seeks documents related to the division's brachytherapy business. The company is cooperating with the government's request and is in the process of responding to the subpoena. At this stage of the inquiry, the likelihood of an adverse outcome cannot be assessed. The company cannot give any assurances that this matter will not have a material adverse impact on the company's results of operations in a future period.

As of April 25, 2008, approximately 655 federal and 1,050 state lawsuits involving individual claims by approximately 1,810 plaintiffs, as well as nine putative class actions, have been filed or asserted against the company with respect to its Composix® Kugel® product intended for ventral hernia repair (collectively, the "Composix Claims"). The company voluntarily recalled certain sizes and lots of the product beginning in December 2005. The actions generally seek damages for personal injury resulting from use of the product and the putative class actions, none of which has been certified, also seek (i) medical monitoring, (ii) compensatory damages, (iii) punitive damages, (iv) a judicial finding of defect and causation and/or (v) attorneys' fees. On June 22, 2007, the Judicial Panel on Multidistrict Litigation transferred Composix lawsuits pending in federal courts nationwide into one Multidistrict Litigation ("MDL") for coordinated pre-trial proceedings in the United

States District Court for the District of Rhode Island. Approximately 1,030 of the state lawsuits, involving individual claims by approximately 1,045 plaintiffs, are pending in the Superior Court of the State of Rhode Island, with the remainder in various other jurisdictions. In March 2008, the Superior Court of the State of Rhode Island directed that certain lawsuits had improperly consolidated numerous plaintiffs and ordered the re-filing of complaints on behalf of those plaintiffs, resulting in an increase in the number of lawsuits but a decrease in the number of plaintiffs in lawsuits pending in that court.

The Composix Claims are at a preliminary stage. In the vast majority of these cases, we have not yet obtained and reviewed complete information regarding the plaintiffs and their medical conditions, and consequently, we are unable to fully evaluate the claims or determine the time frame in which they may be resolved. As in most litigation of this nature, the Composix Claims present a wide variety of claims, ranging from allegations of serious injury caused by the products to efforts to obtain compensation notwithstanding the absence of any injury. We believe that many settlements and judgments relating to the Composix Claims may be covered in whole or in part under our product liability insurance policies. While the company intends to vigorously defend the Composix Claims, it cannot give any assurances that the Composix Claims will not have a material adverse impact on the company's result of operations in future periods or the company's financial position or liquidity.

On February 21, 2007, Southeast Missouri Hospital filed a putative class action complaint on behalf of itself and all others similarly situated against the company and another manufacturer under the caption *Southeast Missouri Hospital, et al. v. C. R. Bard, Inc., et al.* (Civil Action No. 1:07-cv-00031, United States District Court, Eastern District of Missouri, Southeastern District). The complaint has been amended to add St. Francis Medical Center as an additional named plaintiff. Co-defendant Tyco International, Inc.'s motion to dismiss was granted and consequently Tyco is no longer a party to the action. The plaintiffs allege that the company conspired to exclude competitors from the market and that the company sought to maintain the company's market share by engaging in conduct in violation of state and federal antitrust laws. The plaintiff seeks injunctive relief and money damages. Antitrust damages are subject to trebling. The company intends to defend this matter vigorously. At this time, it is not possible to assess the likelihood of an adverse outcome or determine an estimate, or a range of estimates, of potential damages. The company cannot give any assurances that this matter will not have a material adverse impact on the company's results of operations in a future period or the company's financial position or liquidity.

In December 2007, a U.S. District Court jury in Arizona found that certain of W.L. Gore & Associates Inc.'s ("Gore") ePTFE vascular grafts and stent-grafts infringe the company's patent number 6,436,135. The jury upheld the validity of the patent and awarded the company \$185 million in past damages. The jury also found that Gore willfully infringed the patent. In a second phase of the trial, the court is currently assessing Gore's assertion that the patent is unenforceable due to inequitable conduct. Because the company considers this matter a gain contingency, no amounts have been recorded as of March 31, 2008.

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

Period	Issuer Purchases of Equity Securities				
	Employee Benefit Plan Shares Surrendered For Taxes <sup>(1)</sup>	Total Number of Shares Purchased <sup>(2)</sup>	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs <sup>(2)</sup>	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under Plans or Programs <sup>(2)</sup>
January 1 - January 31, 2008	803	—	\$ —	—	\$375,900,000
February 1 - February 29, 2008	98,239	900,000	96.40	900,000	289,200,000
March 1 - March 31, 2008	5,255	843,492	97.83	843,492	206,700,000
Total	104,297	1,743,492	\$ 97.09	1,743,492	\$206,700,000

- (1) Transactions represent the purchase of restricted shares from employees to satisfy tax withholding requirements on the vesting of equity-based awards. None of these transactions were made in the open market.
- (2) On October 10, 2007, the Board of Directors approved the repurchase of up to \$500 million of common stock of the company.

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

(a) The registrant held its Annual Meeting of Shareholders on April 16, 2008.

(b) Proxies for the meeting were solicited pursuant to Regulation 14A of the Exchange Act; there was no solicitation in opposition to management's nominees for directors as listed in the Proxy Statement and all such nominees were elected. The results of voting for the three Class III Directors elected for a term of three years are set forth below:

T. Kevin Dunnigan	For	88,063,013
	Withheld	3,510,133
Gail K. Naughton	For	89,723,014
	Withheld	1,850,132
John H. Weiland	For	88,175,722
	Withheld	3,397,424

Class I and Class II directors whose terms continued after the Annual Meeting of Shareholders are Marc C. Breslawsky, Herbert L. Henkel, Theodore E. Martin, Timothy M. Ring, Tommy G. Thompson, Anthony Welters and Tony L. White.

(c) Described below are the other matters voted upon at the Annual Meeting and the number of affirmative votes, negative votes and abstentions and broker nonvotes.

- I. Approval of the 2003 Long-Term Incentive Plan, as amended and restated – approved.

For	76,329,624
Against	8,112,744
Abstain and broker non-votes	7,130,778

- II. Approval of the 1998 Employee Stock Purchase Plan, as amended and restated – approved.

For	83,774,955
Against	719,893
Abstain and broker non-votes	7,078,298

- III. Ratification of the appointment of KPMG LLP as independent registered public accounting firm for the year 2008 – approved.

For	90,280,828
Against	550,494
Abstain	741,824

- IV. Amendment to the C. R. Bard, Inc. Restated Certificate of Incorporation to provide for majority voting in uncontested election of directors – approved.

For	87,315,099
Against	3,456,877
Abstain and broker non-votes	801,170

***Item 5. Other Information***

Our policy governing transactions in our securities by our directors, executive officers and other specified employees permits such persons to adopt trading plans pursuant to Rule 10b5-1 of the Exchange Act. We anticipate that from time to time, the company's executive officers may establish trading plans relating to our common stock under Rule 10b5-1. Our current intention is to disclose details regarding individual trading plans on our website.

***Item 6. Exhibits***

- (a) Exhibit 3.1 – Registrant's Restated Certificate of Incorporation, as amended, as of May 28, 2004 filed as Exhibit 3.1 to the company's June 30, 2004 10-Q and Exhibit 3.2 to the company's October 20, 2004 Form 8-K, is incorporated herein by reference.
- (b) Exhibit 3.2 – Certificate of Amendment to the Restated Certificate of Incorporation of the company filed April 22, 2008.
- (c) Exhibit 12.1 – Computation of Ratio of Earnings to Fixed Charges
- (d) Exhibit 31.1 – Rule 13a-14(a) / 15d-14(a) Certification of Chief Executive Officer
- (e) Exhibit 31.2 – Rule 13a-14(a) / 15d-14(a) Certification of Chief Financial Officer
- (f) Exhibit 32.1 – Section 1350 Certification of Chief Executive Officer
- (g) Exhibit 32.2 – Section 1350 Certification of Chief Financial Officer

**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.

**C. R. BARD, INC.**  
(Registrant)

/s/ TODD C. SCHERMERHORN

---

**Todd C. Schermerhorn**  
**Senior Vice President and**  
**Chief Financial Officer**

Date: April 28, 2008

/s/ FRANK LUPISELLA JR.

---

**Frank Lupisella Jr.**  
**Vice President and Controller**

## C. R. BARD, INC. AND SUBSIDIARIES

## Exhibit 12.1 - Computation of Ratio of Earnings to Fixed Charges

	Three Months Ended March 31, 2008	Year Ended December 31,				
		2007	2006	2005	2004	2003
Earnings from continuing operations before taxes	\$ 104.8	\$577.3	\$394.6	\$453.7	\$414.2	\$223.2
Add (Deduct):						
Fixed charges	4.2	16.6	21.8	17.3	17.7	17.9
Undistributed earnings of less than 50% owned companies carried at equity	(0.4)	(0.7)	(0.2)	(3.6)	(2.4)	(2.0)
Earnings available for fixed charges	<u>\$ 108.6</u>	<u>\$593.2</u>	<u>\$416.2</u>	<u>\$467.4</u>	<u>\$429.5</u>	<u>\$239.1</u>
Fixed charges:						
Interest, including amounts capitalized <sup>(1)</sup>	\$ 3.0	\$ 11.9	\$ 16.9	\$ 12.2	\$ 12.7	\$ 12.5
Proportion of rent expense deemed to represent interest factor	1.2	4.7	4.9	5.1	5.0	5.4
Fixed charges	<u>\$ 4.2</u>	<u>\$ 16.6</u>	<u>\$ 21.8</u>	<u>\$ 17.3</u>	<u>\$ 17.7</u>	<u>\$ 17.9</u>
Ratio of earnings to fixed charges	<u>25.86</u>	<u>35.73</u>	<u>19.09</u>	<u>27.02</u>	<u>24.27</u>	<u>13.36</u>

(1) Interest related to unrecognized tax benefits is included as income tax expense and not included in fixed charges.

## Certification of Chief Executive Officer

I, Timothy M. Ring, certify that:

1. I have reviewed this quarterly report on Form 10-Q of C. R. Bard, Inc.;
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 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 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: April 28, 2008

/s/ Timothy M. Ring

Timothy M. Ring  
Chief Executive Officer

## Certification of Chief Financial Officer

I, Todd C. Schermerhorn, certify that:

1. I have reviewed this quarterly report on Form 10-Q of C. R. Bard, Inc.;
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 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 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: April 28, 2008

/s/ Todd C. Schermerhorn

Todd C. Schermerhorn  
Senior Vice President and Chief Financial Officer

**SECTION 1350 CERTIFICATIONS**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of C. R. Bard, Inc. on Form 10-Q for the period ended March 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Timothy M. Ring, Chairman and Chief Executive Officer of C. R. Bard, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of C. R. Bard, Inc.

/s/ Timothy M. Ring

Name: Timothy M. Ring

Date: April 28, 2008

**SECTION 1350 CERTIFICATIONS**  
**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,**  
**AS ADOPTED PURSUANT TO SECTION 906 OF THE**  
**SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of C. R. Bard, Inc. on Form 10-Q for the period ended March 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Todd C. Schermerhorn, Senior Vice President and Chief Financial Officer of C. R. Bard, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of C. R. Bard, Inc.

/s/ Todd C. Schermerhorn

Name: Todd C. Schermerhorn

Date: April 28, 2008